





TRAVEL FROM  
NAME TO NAME.

## NEWS: EUROPE

## Forlani aide held as Italian arrests mount

By Robert Graham in Rome

ITALY yesterday experienced another day of spectacular developments in corruption scandals with arrests in Milan, Naples and Rome involving more leading figures in politics and business.

The most prominent political arrest was that of Mr Gaetano Amendola, the private secretary and economic adviser to Mr Arnaldo Forlani, the former head of the Christian Democrat party.

Mr Forlani himself was advised on

Monday that he was under investigation for alleged receipt of L1.2bn (\$710,000) as a kickback on a roads contract near Florence. The contract was negotiated through Mr Giovanni Prandini in 1991, when the latter was minister of public works. Yesterday Mr Forlani's private secretary was arrested on the same charge, while Mr Forlani denied that he had received any funds. Investigations into illicit payments to obtain road contracts have now involved all the major parties.

Last week it was revealed that

Rome and Milan magistrates had prepared a dossier on Mr Prandini alleging that through Anas, the state roads authority, he had collected a total of L25bn in kickbacks.

In Milan yesterday, a major development emerged in the two-month inquiry into Eni, the state oil concern. Magistrates announced six arrest warrants had been issued for executives in Eni subsidiaries, Snam (gas supplies) and Saipem (pipelines), for alleged falsification of accounts.

The first arrest announced was

that of Mr Goffredo Giuliani, deputy chairman of Metanopoli, the property development company of Snam. The second was of Mr Carlo Fiore, a board member of Saipem.

Mr Giuliani is also managing director of Snam and has been involved in a big gas supply deal with Algeria. Milan magistrates are investigating alleged payments of bribes to foreign intermediaries and political parties on foreign gas contracts as well as more general use of Eni subsidiaries for alleged illicit funding of political parties. This has

led to the arrest of four top Eni executives including Mr Gabrieli Cagliari, the chairman.

In Naples magistrates announced a further unravelling of the links between politicians and businessmen over expenditure related to the 1990 World Cup football competition, a new mass transit system, the city's public transport corporation and the main local health authority.

For the first time this involved local politicians of the neo-fascist MSI-DN party which has its strongest base in Naples. Magistrates

issued 19 arrest warrants.

In another development, the family of the prominent southern Christian Democrat politician, Mr Ciriaco de Mita, became further embroiled in the scandal of the misuse of funds for the 1980 Irpinia earthquake. Mr Francesco Scarinzi, Mr de Mita's brother-in-law, was arrested yesterday on charges of alleged extortion and L1.2bn of his assets were seized.

Yesterday also saw the first evidence of magistrates investigating the huge investments planned for a high-speed train network in Italy.

Danes to press  
for EC law on  
works councilsBy David Gardner  
in Luxembourg

THE DANISH presidency of the EC yesterday made clear its determination to push for the setting up of mandatory works councils in large trans-European companies.

This is one of the Community's most controversial pieces of draft social legislation. After talks among employment and social affairs ministers, it became clear that Britain - the only member state opposing the measure - will have to fight to dilute its content, or see it passed by its 11 partners, assuming that the Maastricht treaty and its social protocol come into force later this year.

If the works council directive were passed by the 11, British companies would still be among those most affected. According to British calculations, more than 100 UK companies have operations in continental Europe which are large enough to fall under the requirements of the directive for their operations outside Britain.

If the UK were party to the scheme, more than 300 companies would be affected, a fifth more than in Germany and three times more than France. Denmark wants agreement among the 11 by June, in an effort to demonstrate to its sceptical voters that the EC can deliver social standards

comparable to its own. If the UK wishes to stay detached from the measure, as it did from the Maastricht social chapter, the works council requirements would go through without the British if and when the treaty is ratified.

If Denmark itself ratifies Maastricht in its referendum on May 18, the works council issue could itself become embroiled in the tangled process of British parliamentary ratification of the treaty.

The directive would oblige companies employing more than one of the EC's 12 member states, and with more than 100 employees in at least two of them, to set up elected works councils. They would have to be consulted on issues such as job changes, new technology and investment plans and relocation of business.

During the recent controversy over alleged "job poaching" in the relocation to the UK of production by Hoover in Burgundy and Digital from the west of Ireland, Mr Jacques Delors, president of the European Commission, pledged a new effort to get the works council directive into EC law.

The Commission believes cases like Hoover and Digital would be less inflammatory with obligatory consultation of the workforce, denying companies the chance to play one set of employees off against another.

Wanted:  
new life  
for single  
market

By Andrew Hill in Brussels

THE European Commission believes the single European market could lose momentum and credibility unless new ways are found to build on the achievements of the past seven years.

Commissioners spent most of yesterday discussing how to develop the internal market and to boost European business and industry.

A spokesman said the Commission was concerned at the way the single market - aimed at easing the movement of people, goods, services and capital across EC frontiers - was no longer seen as an important issue across the Community.

Commissioners stressed the first aim was to adopt the few measures outstanding from the original 1985 single market programme, which is 95 per cent complete, and to make sure that what had been adopted was implemented and functioning properly.

At the same time, the Commission should press for the lifting of remaining controls on travellers at internal EC borders, politically the most sensitive of the single market objectives and the most difficult to achieve.

The EC's executive is itself seeking new purpose in the aftermath of the symbolic single market "deadline" of January 1, 1993.



A woman eats food scavenged from rubbish in a Sarajevo street. Despite UN convoys, Bosnia's besieged capital remains short of food

## Italian new car sales plunge by 21%

By Haig Simonian in Milan

NEW CAR sales in Italy, Europe's second biggest market, were down almost 21 per cent last month compared with March last year. Demand was hit by the recession and price rises for some imports.

The 20.8 per cent plunge, in

March sales to 189,940 units was the eighth monthly fall since August.

The decline is likely to rekindle friction between domestic and Japanese manufacturers which have increased sales. Sales by Nissan soared 90 per cent to 4,373 from 2,301 in March 1992 thanks largely to

new models from the group's UK plant. Honda sales rose by nearly 9 per cent, while Toyota rose fractionally.

Japanese exports and transplants still account for less than 5 per cent of the market. However last week's agreement between the European Community and Japan on

import levels for this year, which allowed a 17.5 per cent rise in Japanese exports in Italy, was criticised by some motor industry executives.

The drop brings Italian car sales into line with trends in Germany, France and Spain, where demand for cars has fallen heavily recently.

Probe on tobacco  
fraud death agreed

By Andrew Hill in Brussels

THE European Commission has been asked to prepare a report on last week's suicide of a senior official implicated in EC tobacco fraud.

Members of the European parliament said yesterday senior Commission officials had agreed to submit a report to a meeting of the parliament's budgetary control committee next month.

MEPs want the report to say how the Commission became aware of alleged fraud in the tobacco sector in 1990, what they did about it, and whether such problems could recur.

Mr Antonio Quattraro, an Italian, who was in charge of the EC's tobacco regime until July 1990, took his own life last week just days before the final hearings in an internal disciplinary procedure on this alleged fraud.

Mr John Tomlinson, a British Labour MEP and member of the budgetary control committee, said the disciplinary proceedings centred on allegations that Mr Quattraro was

paid to encourage a cartel of tobacco traders. He allegedly endorsed the sale of large lots of unwanted Italian and Greek tobacco to the cartel, which then sold it to developing countries and former Soviet bloc nations, and benefited from Community export refunds.

Mr Tomlinson and Mr Terry Wynn, another British Labour MEP who follows the workings of the EC's costly tobacco subsidy regime, said there was nothing to link Mr Quattraro with the Mafia, as has been alleged in some reports.

Mr Tomlinson said the tobacco case was "a fairly routine sort of problem" and the budgetary control committee really wanted to draw attention to the EC's "inherently flawed and inherently corrupt" common agricultural policy, and ensure that the Community closed off opportunities for abuse.

Mr Quattraro was moved from his job at the head of the tobacco regime in July 1990 after a French newspaper reported rumours about fraud in the sector.

## E German workers search for voice

Easterners are caught in a union fight with employers, writes Judy Dempsey

A POIGNANT reminder of the tensions underlying the unification of the two Germanies occurred yesterday when Mr Erwin Hein, Saxony's regional head of Gesamtmetall, the metal and electrical employers' association, resigned.

Mr Hein, an easterner, spent last Sunday afternoon holding talks with Mr Hasso Döval, a westerner and head of the Saxony branch of IG Metall, the engineering union, and Mr Kurt Biedenkopf, the premier of Saxony. After several hours of talks in the premier's office in Dresden, they claimed they had reached a compromise aimed at averting an all-out strike over a pay dispute among eastern Germany's metal, electrical and steel industry.

But the compromise did not substantially differ from what was agreed between west German employers, east German managers, and IG Metall in March 1991. That contract stipulated that east German wages in the metal, electrical and steel industry would reach

increased seasonal work cut unemployment in Germany last month to 3.3m, against almost 3.5m in February, writes Ariane Genillard in Bonn. The unemployment rate in the west stood at 7.2 per cent in March, down from 7.5 per cent the previous month.

In the east, increased activity in the construction sector led to a slight improvement, though the unemployment rate was still 15 per cent.

Short-time work continued to rise. Nearly 20,000 more people were on short-time in the west in March, bringing the total to slightly over 1m. In the east, employees on short-time work increased by 11,000 to 246,000.

The failed attempt to break the deadlock between both sides suggests that IG Metall remains determined to go ahead with strikes in all three sectors by the end of the month. However, this failure to seek a compromise underlines the different aims of the west German employers and unions in east Germany.

Gesamtmetall and Arbeitgeberverband Stahl, the steel employers' association, whose recent decision to exercise their legal right in pulling out of the 1991 contract is one of the reasons for the planned strikes, say they cannot afford high wages in the east because of the recession.

Their main argument, however, is that western companies will not invest in the east if labour costs do not reflect productivity levels. Eastern German wages are about 70 per cent of west German levels, but productivity is 70 per cent below. This means that unit labour costs are about 75 per cent above west German levels.

Estimates show that east Germany's wage bill this year will exceed the region's gross domestic product of DM201bn (\$85.1bn) by DM47bn.

To counter this argument, IG Metall says migration from east to west Germany will continue unless skilled workers are paid to remain in the east.

Economists at the Kiel Institute for World Economy, and the Berlin Institute for Economic Forecasting (DIW), have consistently argued that without pay restraint in the east, economic recovery will not occur.

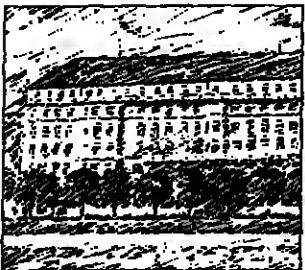
Despite repeated warnings about the cost of high wage claims, both sides in the east German pay dispute now think each has a hidden agenda. IG

Metall believes the employers in the west want to use the east as a means of breaking collective wage bargaining, first in the east and later in the west. The employers believe IG Metall is using the east as an attempt to maintain high wage levels, not only in the five new states, but in west Germany as well.

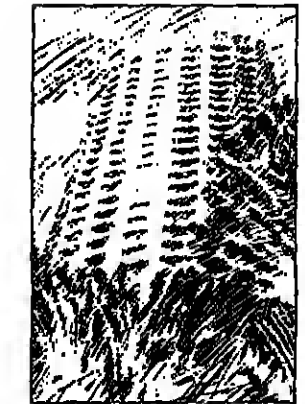
Sandwiched between the two sides are 300,000 metal and electrical workers, and 20,000 steel workers, who so far, have not produced political and economic elites or leaders capable of articulating the interests of east Germans.

IG Metall officials yesterday nearly admitted as much. "The easterners' interests are clear. They do not want to strike. They want job security first and higher incomes later," a west German official said.

Yet he added, rather cynically, that if they lose their jobs after getting their 26 per cent rise, they will at least get higher unemployment benefit. It is, as one economist said, time for the east Germans to defend their interests.



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- Contract MOC/106/93:**  
25 units trucks 4x2, payload 3-4 T. General purpose, tipping body, and relevant spare parts. Cost of bidding documents: USD 150. Bid submission deadline and public bid opening date: May 19, 1993, 12.00 Midday.
- Contract MOC/87/93:**  
40 units of ambulances of various type, medical equipments and relevant spare parts. Cost of bidding documents: USD 200. Bid submission deadline and public bid opening date: May 18, 1993, 12.00 Midday.
- Contract MOA/45/BS/92:**  
45 units diesel pick up, 4x4, payload 1 T. Cost of bidding documents: USD 150. Bid submission deadline and public bid opening date: May 20, 1993, 12.00 Midday.

Bidding Documents are now available from the Project Implementation Unit, Ministry of Finance and Economy, Tirana, Albania and interested eligible bidders should contact the following person immediately to obtain instructions on how to receive the bidding documents:

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مكتبة الترحيل



## High hopes in Russia of IMF accord

By Leyla Bouillon in Moscow

RUSSIA will try to conclude a standby agreement with the International Monetary Fund by October, Mr Alexander Shokhin, deputy prime minister, said yesterday.

While admitting that "anything could happen", Mr Shokhin claimed that Russia could conclude a standby deal, setting tough conditions for further IMF balance of payments assistance, within the next six months. This would happen, he suggested, if the central bank and finance ministry pursued "responsible policies", which would depend on President Boris Yeltsin receiving appropriate support in a referendum due on April 25.

Mr Shokhin, who concluded Russia's debt rescheduling with western creditor nations in the Paris Club last week, said the rescheduling could go ahead even if no standby deal was achieved. He said the Paris Club agreement would be followed by a similar deal with the London Club of commercial bank creditors by July. Anticipating the results of the London Club talks, he said Russia would only have to pay \$3bn to service debts this year, including \$2bn to the Paris Club, and \$1bn to all other creditors.

The debt rescheduling deal, although the biggest chunk of

assistance granted so far to Russia, continued to go largely unnoticed in Moscow yesterday. Like most of the anti-Yeltsin press, a spokesman for the Russian parliament focused on criticising the \$1.6bn US aid package given to Russia at the Vancouver summit on Sunday.

The promised aid of \$1.6bn is of course a noble deed," Mr Konstantin Zlobin, said. "But we know that aid in the form of money handouts usually disappears into a black hole or gets into the hands of wheeler-dealers who bank the money in the west."

In a front page headline, Sovetskaya Rossiya described the \$1.6bn as "light baggage" and elsewhere accused President Clinton of "political madness" in backing President Yeltsin. Like most of the critics who claim they resent aid, Pravda added that it was far too little, amounting to "just \$10.98" per Russian citizen.

The latest meeting of a round table organised by the government and parliament to try to find solutions to the country's economic problems showed how elusive a consensus remains. Vice President Alexander Rutskoi, who is on parliament's side in the conflict with President Yeltsin and the government, said the young radicals in the government had to be sacked before agreement was possible.

## Armenia battles on two fronts

Steve LeVine reports on the heavy burdens of conflict and economic collapse

As it fights Europe's "other war", a five-year-old conflict with neighbouring Azerbaijan, Armenia has begun a politically risky programme to revive the ex-Soviet Union's worst economy.

The draconian programme, coming during a second winter with no heating, little electricity and an all but paralysed industry, may be inviting trouble. Since the Soviet Union broke up a year ago, hostile crowds have already forced out the neighbouring governments of Azerbaijan and Georgia.

But, says Armenia's 35-year-old prime minister, Mr Hrant Bagratian, "there is no other way out. Otherwise, all the population is going to die. We are a bankrupt country."

While battling back from the same economic collapse that struck all 15 former Soviet republics after the empire's disintegration, Armenia faces an enormous additional problem. That is its undeclared war with Azerbaijan, a territorial dispute that, with some of the same brutality as former Yugoslavia, shows no sign of ending soon.

Before the conflict, more than 80 per cent of Armenia's natural gas and other needs were sent through Azerbaijan.



Azerbaijan has since blockaded Armenia. Another route, through Georgia, has been interrupted by conflicts to the north. Efforts to find a Turkish route have been hampered by its long enmity with Armenia.

The result has been almost a complete shutdown of Armenia's 450 factories. Homes are lit for just two hours a day, and the sole heat is produced by wood-burning stoves - tree stumps lining the highway into the capital of Yerevan testify to the population's desperate quest for warmth.

Not that Armenian shelves are bare. If one has the money, Yerevan's private farmers' market has the best selection of vegetables and fruit in the region. A syndicate-run bistro that locals call the "Mafia Restaurant"

serves patrons grilled beef and sturgeon, brought fresh several times a week from the Caspian port of Astrakhan. And at the Georgian border, Armenian block marketeers buy natural gas or petrol from tankers with fuel from southern Russia, then sell it at a steep mark-up: 20 litres of petrol costing 4,500 roubles (\$4.70) in Georgia bring 7,000 roubles and more in Yerevan.

Tens of thousands of Azeri civilians are fleeing through treacherous mountain tracks from fierce fighting which continued yesterday between Azerbaijan and Armenia, the United Nations High Commissioner for Refugees said yesterday, Reuter reports from Geneva.

Many people, especially women and children, were dying from cold in the snow-bound passes, according to UNHCR representatives in the area. The exodus follows an offensive by Armenian forces apparently aimed at driving a second corridor from the trans-Caucasian republic to the largely-Armenian inhabited enclave of Nagorno-Karabakh inside Azerbaijan.

Azerbaijan called yesterday for international sanctions to punish Armenia for the offensive which has captured a tenth of Azeri territory.

Mr Bagratian's economic programme is meant to normalise Armenia's economy, and bring fuel and food deliveries to the average home. Armenia possesses few resources, but does have a well-trained work force. And, though landlocked, it is well situated, at the crossroads

of the Caspian Sea nations of Iran and Azerbaijan and the Black Sea countries of Turkey and Georgia. The roads go north to Russia, east to Central Asia and south to the Gulf. Mr Bagratian's prescription is to reopen factories quickly. The programme makes no apologies about ignoring Armenian households - Mr Bagratian admits he is betting that relief over returning to work will overshadow the continued discomfort of cold and dark days.

In five years or so, when the war may be over, he hopes there will be plenty of light and heat, as well.

Natural gas shipments of 1.5m cu m a day resumed after the pipeline from Georgia - terrorists had blown it up for the fourth time in a month - was

repaired. One-quarter of daily needs, the gas was enough to reopen 45 factories, or about 15 per cent of industrial capacity, the government says. The 1993 goal is to restart 55 per cent of industrial capacity.

Comparisons are difficult to avoid between Mr Bagratian and Russia's former prime minister, the combative Mr Yegor Gaidar. With the support of Russia President Boris Yeltsin, Mr Gaidar embarked on a tough, ambitious economic programme that, in addition to antagonising conservative leaders, angered the public. In December, Mr Yeltsin finally jettisoned his economic pilot.

Mr Bagratian, whose exacting and abrupt style contrasts sharply with Armenia's usual lax and emotional leadership, confronts at least as difficult a task as did Mr Gaidar.

In looking to the long term, Armenia has almost concluded an \$57.4m (\$40.4m) agreement with the European Bank for Reconstruction and Development to finish a 300mw oil-and-gas-fired electricity unit at Harazdan, 25 miles from Yerevan, the government says.

Even when the unit is completed, Mr Bagratian still faces a tremendous problem: where will he get fuel to run it?

## Talks on Ukraine's missiles at dead end

By Chrystia Freeland in Kiev

NEGOTIATIONS between Ukraine and Russia over the future of the nuclear weapons on Ukrainian territory have reached a "dead end", Ukraine's President Leonid Kravchuk said yesterday.

To resolve the stalemate, he has suggested to Russian President Boris Yeltsin that the issue be discussed by the Ukrainian and Russian prime ministers. Mr Leonid Kuchma, the Ukrainian prime minister, was formerly director of the largest missile factory in the world which produced the SS-18 and SS-24 missiles now in Russia.

Mr Kravchuk rejected Russia's accusation that Ukraine had ambitions to be a nuclear power. However, Mr Kravchuk reaffirmed Ukraine's claim to ownership of the strategic nuclear missiles on its territory. The alternative favoured by Moscow - granting Russia ownership of the Ukrainian missiles - was "unacceptable", Mr Kravchuk said because Ukraine could not permit a foreign military presence on its soil.

## French debate central bank's regulatory role

By David Buchanan in Paris

FRANCE'S debate on how to give its central bank autonomy in setting monetary policy - as required by the Maastricht treaty - has got under way with the Banque de France and the powerful Trésor department of the finance ministry taking opposing sides on the future of the central bank's other roles in regulating commercial banks, their solvency and liquidity.

In a banking newsletter, Mr Jacques de Larosière, governor of the Banque de France, said he saw no reason to change the present system in which the Commission Bancaire, with the aid and close supervision of the Banque de France, controls commercial banks. "The central bank regulates the liquidity of the banking system, which gives it [the central bank] a crucial importance in tracking the performance of commercial banks," he said.

Even in Germany, where supervision of commercial banks formally lies with an office in Berlin separate from the Bundesbank, the German central bank had a department which keeps an eye on the banking sector.

By contrast, officials at the Trésor have been quoted in the press as suggesting that, if France does not adapt the German system, the Banque de France might find itself faced with a conflict of interest. If, for instance, the central bank, as lender of last resort, had to provide emergency liquidity to a commercial bank in trouble, it might undermine its own monetary policy.

Any paring down of the Banque de France also worries

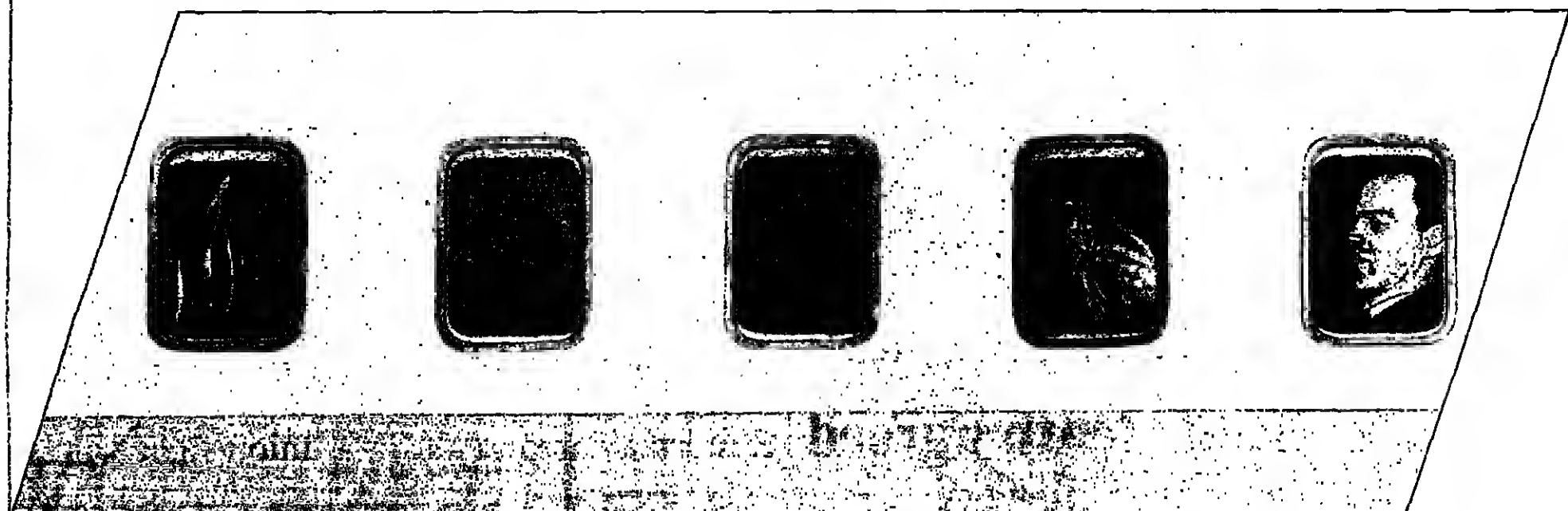


De Larosière: against change

leaders of the central bank's 18,000 employees. They have sought - and won - from Mr de Larosière assurances that he will try to maintain the central bank's role.

Many of the key elements - such as the security of tenure for board members of an independent central bank - are set in the treaty of Maastricht, and are therefore in the brief which the prime minister, Mr Edouard Balladur, last Friday gave his finance minister, Mr Edmond Alphandéry, to prepare a draft statute on the Banque de France's future.

On Friday, Mr Balladur spoke of giving the Banque de France "a very broad autonomy". The fact that he did not use the word "independence" has been interpreted by some as indicating that he intends to let the central bank keep a banking supervision role, which in contrast to the area of monetary policy, would still be subject to government influence.



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## NEWS: THE AMERICAS

# Clinton forced to postpone \$16bn stimulus spending bill

By George Graham  
in Washington

PRESIDENT Bill Clinton and his Democratic allies in Congress have bowed to the immovability of Senate Republicans and agreed to put off consideration of the president's \$16bn (11.2bn) stimulus spending bill until after the two-week recess.

Senator George Mitchell, the Democrats' leader in the Senate, and Senator Robert Byrd, chairman of the appropriations committee, have been given the go-ahead by the White House to negotiate with their Republican counterparts on a compromise that might allow the bill to come to a vote.

Although the Democrats have enough votes to pass the spending package, they lack the three-fifths majority required under the Senate's eccentric rules of procedure to shut off debate.

The Republican filibuster showed less physical endurance than past efforts to hold

Agreement to postpone President Clinton's \$16bn economic stimulus package allowed the Senate to clear up one critical piece of legislation that had been held up by the Republican filibuster: a measure to raise the legal ceiling on US federal debt to \$4,370bn.

up legislation, such as Senator Strom Thurmond's record 24-hour speech against civil rights legislation in 1957.

Nevertheless it appears to have been effective, in forcing the Democratic majority to back off.

Mr Clinton said yesterday he was "working on a proposal that I think will address some of the legitimate expressed objections." But he remained pugnacious in tone, and it appeared unlikely that he would be willing to cut enough spending from the bill to satisfy the opposition.

He accused the Republicans of thwarting majority rule, and of political posturing. "It's just

The US Treasury, which had been forced to delay debt sales to avoid breaching the previous ceiling of \$4,145bn, yesterday held a \$14.35bn sale of 52-week bills and announced another \$22.4bn auction of 13 and 26-week bills for today.

more gridlock and I think the people will rebel against it," Mr Clinton said.

Mr Clinton's problem in the Senate could be repeated in future. So long as the 43 Republicans remain united against him, the 57 Democrats will fall short of the 60 votes needed to break a filibuster - even in the unlikely event that they too remain united.

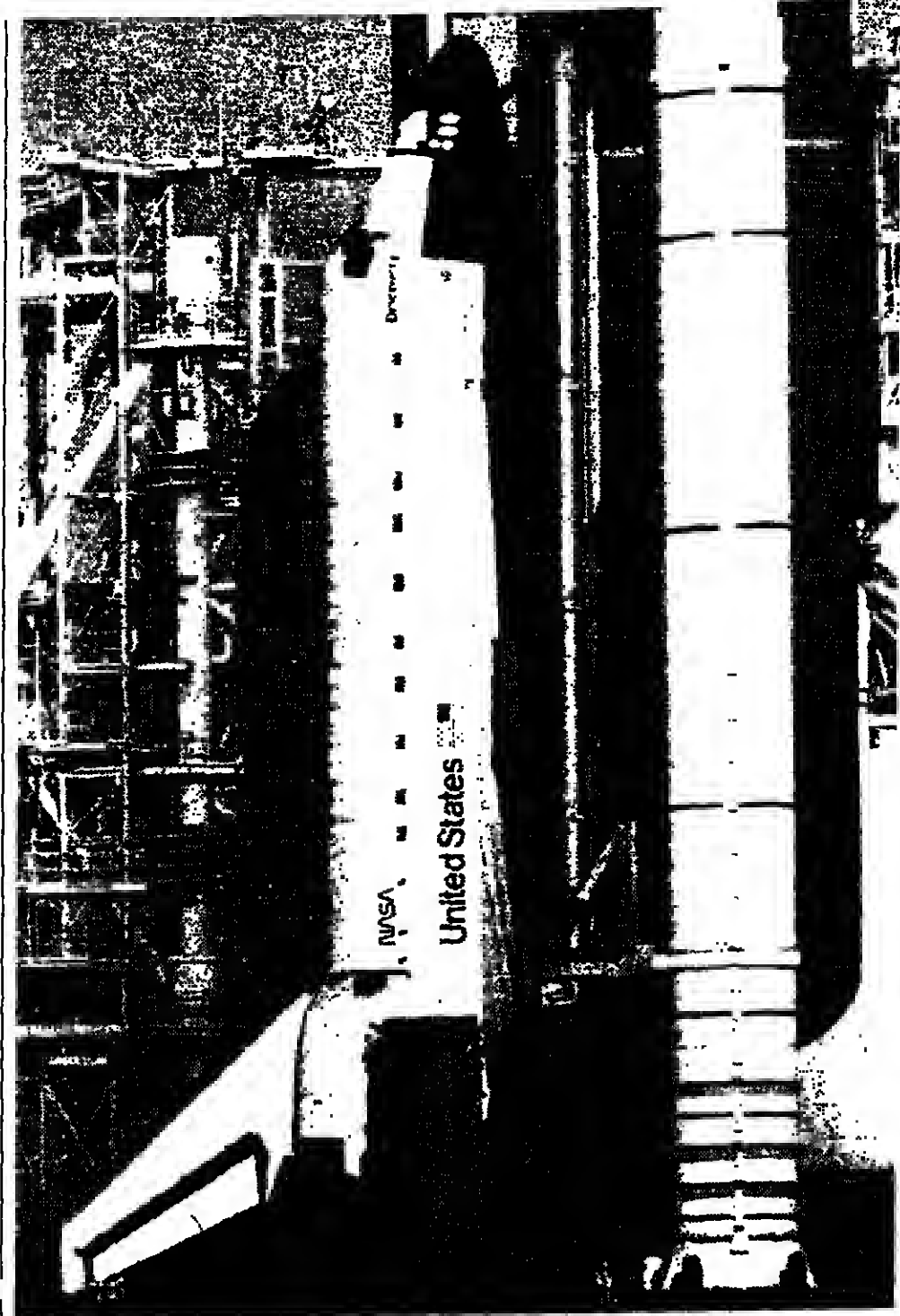
Party loyalties are rarely solid in the Congress, and especially not in the Senate. Indeed, Senator Richard Shelby of Alabama, though nominally Democratic, has voted so consistently against Mr Clinton that party whips are virtually discounting him

when they count up likely votes.

But a number of other Democratic conservatives, especially from the south and west, are also potential defectors on several critical issues. They include Senator Sam Nunn of Georgia, Senator David Boren of Oklahoma, Senator Howell Heflin of Alabama, Senator Bennett Johnston of Louisiana and Senator Dennis DeConcini of Arizona.

Senator Robert Krueger of Texas, who was appointed to fill the seat vacated by Mr Lloyd Bentsen, now the treasury secretary, has also voted against the administration line, but some political analysts suggest he is trying to prove his independence before his re-election next month, and may prove more amenable in future, if he survives.

Republican party loyalty is generally stronger, but a number of centrist senators, including four from New England, have proved unreliable on occasion.



Space shuttle Discovery after the launch was aborted just 11 seconds before take-off

## Second Shuttle launch aborted

By George Graham in Washington

THE US National Aeronautics and Space Administration yesterday had to abort its second space shuttle launch in two weeks after a last-minute malfunction, creating more frustration for an agency struggling to scale its ambitions and its overheads down to meet budget realities.

The launch of the shuttle Discovery was halted 11 seconds before lift-off after a warning that a valve had not closed. A fortnight ago, the shuttle Columbia's engines were shut off just 3 seconds before lift-off.

While the malfunction appeared to be relatively minor - another launch attempt has been tentatively scheduled for tomorrow - it follows a series of setbacks to the shuttle programme.

In addition, a faulty launch two weeks ago by General Dynamics' Atlas Centaur rocket, its third failure in eight attempts, has prompted the industry magazine Space News to warn of a "launch crisis on the horizon" if the government does not start serious work soon on a new launch system.

Nasa's 1994 budget, due to be published tomorrow, is expected to show an increase of around \$100 over this year's \$14.4bn. However, the agency has been ordered by President Bill Clinton to redesign the costly space station to save money. Administration officials say Nasa has for years been overambitious.

## Fujimori hails result of power grab

PRESIDENT Alberto Fujimori of Peru claimed yesterday that his closure of Congress and the courts exactly one year ago had made possible the capture and conviction of Abimael Guzman, leader of Shining Path, the Maoist guerrilla movement. AP reports from Lima.

Shining Path itself marked the anniversary by bombing a

shopping centre in Lima's middle class district of San Luis, killing a security guard and shattering windows. The previous day guerrillas killed 11 members of the armed forces in the northern Andes.

Mr Fujimori, in a 20-minute television and radio broadcast, said Peru now presented an image of security for investors

after the capture of Guzman and other high-ranking guerrilla leaders.

"For 10 years Guzman and his followers mocked the state and its institutions... while the country filled up with its dead," Mr Fujimori said. "But now the most ferocious terrorism in the west is being defeated without a bloodbath."

Mr Fujimori said he planned his coup after he realised that a hostile opposition in Congress and the judiciary were blocking his efforts to combat terrorism and drug trafficking. He also rejected criticism that he was authoritarian. "I like results. Let the others strike poses," said Mr Fujimori, who was elected in 1990.

## PETROFINA S.A.

52, rue de l'Industrie - B-1040 Brussels T.V.A. No. 403.079.441 - R.C. Brussels No. 227.957

Shareholders are invited to attend the EXTRAORDINARY GENERAL MEETING which will be held in Brussels, at 52, rue de l'Industrie, on Tuesday APRIL 27, 1993, at 11 a.m. (Brussels time), with the following agenda:

### Amendments to Articles of Association

- In article 1, delete the words, "Formerly, it was named 'Compagnie financière belge des pétroles', company with limited liability, 'Petrofin' in abbreviated form".
- In article 2, replace the first paragraph by the following paragraph: "The registered office of the company is established in the Brussels-Capital Region. It is currently located at 52, rue de l'Industrie, Brussels, and may be relocated within this Region by resolution of the Board of Directors".
- In article 4, replace the first paragraph by the following paragraph: "The company is established for an unlimited period of time".
- In article 5, insert the word "voting" before the word "shares", and add this second paragraph: "The corporate capital may also be represented by non-voting preferred shares, created by the general shareholders' meeting or the Board of Directors".

### Insert the following article 5A:

"Every person or legal entity owning or acquiring voting shares in the company must inform the company and the Commission bancaire et financière of the number of shares held when the voting rights associated with said shares amount to 3 percent or more of all voting rights existing at the time when the event giving rise to the duty to inform occurs."

In the case of a subsequent acquisition of shares, the same information must be provided when, as a result of this acquisition, the voting rights associated with said shares amount to 5 percent, 10 percent, 15 percent, or any higher multiple of 5 percent, of all voting rights existing when the event giving rise to the duty to inform occurs.

In the case of a transfer of shares, the same information must be provided when, as a result of this transfer, the number of voting rights falls below one of the above-mentioned thresholds.

To the shares owned, acquired or transferred by this person or legal entity shall be added all shares owned, acquired or transferred by:

- a third party acting in its own name, but for the account of said person or entity;
- a person or legal entity related to said person or entity;
- a third party acting in its own name, but for the account of a person or legal entity related to said person or entity.

Likewise, the numbers of shares owned, acquired or transferred by said person or legal entity who act in concert for purposes of owning, acquiring or transferring shares to which 3 percent or more of voting rights are attached shall be added together.

When a person or a legal entity holds, acquires or transfers the direct or indirect control, in law or in fact, of another company owning, in particular through the effect of concerted action, as defined by the law, 3 percent or more of the voting shares of the company, said person or entity must so inform the company and the Commission bancaire et financière. When several persons and/or entities jointly control such a company, each of them must make this disclosure.

The above-mentioned declarations must be sent to the company and the Commission bancaire et financière at the latest the second business day after the event giving rise thereto has taken place, without prejudice to the provisions of law regarding shares acquired by inheritance, and for the threshold of 3 percent, at the latest the second business day following the date of publication of this new article 5A in the Supplement to the Belgian Official Gazette.

Without prejudice to the provisions of the law, no shareholder may exercise at any general meeting of shareholders a number of voting rights greater than that corresponding to the number of shares he has declared in accordance with the law and the present Articles of Association at least 45 days before said general meeting. It being understood that he may validly vote those shares to which are attached voting rights amounting to less than 3 percent of all

voting rights existing on the date of the general meeting of shareholders, or falling between two successive thresholds".

- Special report by the Board of Directors indicating the specific circumstances in which it may make use of the authorised capital and the objectives it will pursue in so doing.

(b) In article 8, amend four paragraphs:

- Replace Paragraph 4 by the following paragraph: "The Board of Directors may increase the subscribed corporate capital on one or several occasions up to an amount of fifteen billion francs according to procedures established by the Board, either by issuing voting or non-voting shares, by issuing debentures convertible into shares, or with subscription rights or redeemable in the form of shares, or by issuing subscription rights. The increase in capital decided pursuant to this authorisation may be carried out via contributions in cash or via contributions not in the form of cash within the limits permitted by the law on companies, or via the incorporation of issue premiums or reserves, whether available or unavailable, with or without an issue of new shares".
- Replace Paragraph 5 by the following paragraph: "This authorisation is granted for a period of 5 years commencing on the date of publication of this new paragraph of article 8 in the Supplement to the Belgian Official Gazette".
- Replace in Paragraph 8 the date of "May 11, 1990" by the date of "May 14, 1993" and the words "article 8, §2.2" of the Royal Decree of November 1, 1989 by the words "the law on companies", and add at the end of this paragraph the words "and this also in favour of one or several specific persons, who may or may not be members of the personnel of the company or its subsidiaries".
- In paragraph 9 add the words "or power" after the word "authorisation".

(c) Insert at the end of article 8 this temporary provision: "The authorisation granted to the Board by resolution of the general meeting of shareholders of May 11, 1990 shall remain in force until publication in the Supplement to the Belgian Official Gazette of the new authorisation hereabove".

- In article 9, replace the words "balance sheets" by the words "annual accounts".
- In article 10 add the following two paragraphs:

"The company may acquire its own shares, whether voting or non-voting, without a resolution of the general shareholders' meeting, by means of purchases or exchange, directly or through an intermediary acting in its own name but for the company's account, whenever such acquisition is necessary to avoid a grave and imminent danger to the company. This authorisation is granted for a period of 3 years commencing with the date of publication in the Supplement to the Belgian Official Gazette of the amendment to the Articles of Association adopted by the general meeting of May 14, 1993. This authorisation may be renewed. Within the limits set by law, the company may dispose of shares thus acquired without a decision of the general meeting of shareholders."

The company may determine the repurchase either of all of its non-voting shares or of certain categories thereof, each category being determined by the date of issue".

- In article 15 replace in paragraph 2 the word "three" by the word "five", in paragraph 3 the word "two" by the word "three" and in paragraphs 3 and 4 the words "or by telegram or by telex" by the words "by telegram, by telex or by fax".
- In article 17 paragraph 1, delete the word "imperatively".
- Abrogate article 21.

- In article 23 replace the words "death or resignation of a director" by the words "vacancy of a director's post".
- Add at the end of article 25 the following paragraph:

"Any shareholder who is a natural person and who has deposited his shares may request that his name not be included in the attendance list, but only if the voting rights associated with his shares amount to less than 0.1 percent, or any other percentage which may be fixed by Royal Decree, of the total number of voting rights existing at the time when the notice was sent or made public. To the shares deposited by a shareholder shall be added, for purposes of the present paragraph, shares deposited by persons related to this shareholder or acting in concert with him under the conditions stated in the law on companies".

- In article 27 replace the words "in Brussels" by the words "in the Brussels-Capital Region".
- Replace article 28 by the following text:

"Notice of the meeting will be issued in accordance with the formalities prescribed by the law on companies".

- In article 30 replace in the first paragraph the words "except as concerns amendment of the Articles of Association" by the words "without prejudice to article 32" and add in the second paragraph after the word "per" the word "voting".

(d) Replace paragraphs 1 through 4 of article 34 by the following paragraphs:

"From the profits of the business year, plus amounts previously carried forward, will be deducted the amounts necessary to constitute the legal reserve and any other reserves."

From the balance, the general shareholders' meeting may decide to allocate an amount to the remuneration of the shareholders and a portion not exceeding five percent of this remuneration to the Board of Directors, the management and the executive personnel, as well as to the benevolent fund of the company.

Any surplus will again be carried forward."

- In the former paragraph 5 replace the date "1992" by the date "1995".

(e) Empower the Board of Directors to enforce resolutions adopted and to determine the method of execution thereof. For example, the Board may make formal corrections such as using the words "law on companies" wherever the Company Law Code is mentioned, adapting references in the Articles to legal provisions which may be replaced or completed (provided that no nullification may result from failure to carry out such adaptation), deleting temporary provisions when they cease to have effect or renumbering articles.

XXX

The special report of the Board of Directors referred to in item B of the agenda is available at Petrofin (Société Générale) as well as at the banks listed below. Persons who can prove that they are holders of bearer shares may therefore consult it and/or receive a free copy.

It should be noted that under article 70 of the law on companies the shareholders' quorum must represent at least half the capital. Failing this, a second meeting, with the same agenda, will be held on May 14, 1993, after the Ordinary General Meeting.

In anticipation of the extraordinary meeting, the holders of bearer shares may deposit their shares until close of business on April 27, 1993 in the following institutions:

Banque Bruxelles Lambert  
Général de Banque CGB Kredietbank  
Banque Paribas Belgique  
Banque Nationale de Paris Crédit du Nord  
Banque Internationale à Luxembourg  
Banque Générale du Luxembourg Commerzbank  
Deutsche Bank Dresdner Bank ABN-Amro Bank  
Crédit Suisse Swiss Bank Corporation Union  
Bank of Switzerland Credito Italiano  
Barclays Bank (Fenchurch St., London).

The Board of Directors

## Canute James on the daunting tasks awaiting Patterson

## After Jamaica PM's easy election victory: now for the difficult bit

IN THE aftermath of the heady celebrations of the landslide victory of the People's National party in last week's general election in Jamaica, Mr P J Patterson, the prime minister, is likely to be quickly sobered when he reflects on the immediate tasks of his administration.

One is how to fire the lethargic economy of the island which has yet to react to the policies which Mr Patterson says are intended to stimulate growth.

Another is how to counter an outbreak of violent crime, including factional violence during the election campaign which caused 11 deaths. Related to that is reform to the island's electoral system dogged by administrative deficiencies and thuggery at polling stations.

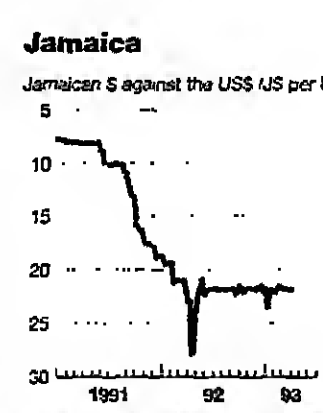
Mr Patterson, who was sworn in at the weekend for a five-year term, has promised to continue the economic reforms started four years ago when the PNP ended nine years of government by the Jamaica Labour party of Mr Edward Seaga.

The programme has been based on extensive deregulation of the economy, including the sensitive foreign exchange market, and the divestment of state economic enterprises. The intention, the prime minister said, is to allow market forces a free hand and to reduce the government's involvement in the economy.

By all indications, Mr Patterson should not have had such an easy time of the election. The 2.3m people of the island have undergone painful dislocation because of the wrenching adjustment in the wake of the deregulation of the economy.

The floating of the Jamaican dollar 17 months ago led to a fall of 40 per cent against the US dollar. The depreciation, and earlier movements of the currency, pushed inflation to 105 per cent late in 1991.

The government applied various monetary measures to



Source: Bank of Jamaica, Statistical Digest

reduce liquidity and ease pressure on the Jamaican dollar, but a fleeting impression of stability for two months just over a year ago was shattered by another fall of 26 per cent after the resignation as prime minister of Mr Michael Manley.

A subsequent revaluation has brought some stability, with inflation last year at 17 per cent. But the majority poor of Jamaica have suffered most from the changes.

The government's efforts to eliminate the fiscal deficit and ease pressure on the exchange rate have led to cuts which have reduced the availability of social services such as health and education. Much of the island's physical infrastructure is in disrepair.

To have taken 55 of the 60 seats at stake in these circumstances represents no mean achievement. But Mr Patterson may be the first to admit, if only to himself, that he owes much to the disarray within the opposition Labour party.

For the past two years Labour has been diverted by a split within the leadership, in which rebel MPs have tried to remove Mr Seaga, blaming his leadership for the party's electoral misfortunes.

Mr Patterson was also aided by the absence of any fundamental differences in the economic policies of both parties, in spite of Labour's contention that the PNP had gone too far and too fast in de-

regulating the economy. Mr Seaga has indicated that he will reconsider his position as Labour's leader. Party spokesmen have said he will be stepping down to concentrate on private business. His successor will have a difficult task in rebuilding the shattered ranks of the constituency parties before mounting a credible challenge to the PNP in five years.

But in spite of the electoral debacle which has overtaken Labour, Mr Seaga, or his successor, may not be too nervous of Mr Patterson. The PNP's landslide has raised hopes which the prime minister and his administration may not be able to fulfil. The prime minister has spoken, for example, of an intention to reduce unemployment, currently at 18 per cent, to 12 per cent over the next five years.

But there is no sign of the significant new investments which the government expects from economic deregulation. The traditional pillars - tourism, bauxite mining and refining, agriculture and light manufacturing - all depend on the health of the not very healthy industrialised economies.

Bankers and businessmen have suggested that the Jamaican dollar will come under pressure in the next few months. A currency depreciation would lead to price increases, and the blame would

be placed squarely on Mr Patterson.

The prime minister has promised changes in the electoral system to make it more efficient and less prone to abuse and thuggery.

He will find it more difficult to curb other unsavoury aspects of Jamaican politics, in a country where party political passions run high. It does not take much for one faction to launch a crusade against the dogs of war of the other side.

Unless Mr Patterson and other political leaders can find ways to temper the zeal of their supporters, the prime minister may discover that the economic improvement, of which he speaks confidently, would be substantially devalued.

### ADVERTISEMENT

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THE SUCCESS of the new distance-learning MBA degree for financial specialists launched by a company set up by Manchester Business School and the University of Wales at Bangor was reflected in the 300-plus registrations in January.

The company is the Institute for Financial Management and the MBA is awarded by the University of Wales. This unique degree course has been specially designed for people in all financial sectors such as accountancy, banking, insurance, building societies and administration.

The MBA course can be taken in an accelerated programme of 18 months by managers who already have professional qualifications. It is also available over 30 months to graduates and/or managers with relevant experience.

There is also a network of study support centres being set up around the world which enable students to take the degree in their own region and these are already established in the Middle and Far East and the Caribbean. More are planned for Australia, Africa, South America, Canada and Europe.

A corporate programme has now been launched for finance sector companies who want to combine in-house development with a customised and highly relevant degree.

Further details from: Institute for Financial Management, University of Wales, Bangor LL57 2DG. Tel: 0248 382278. Fax: 0248 370769



## Second Shuttle launch aborted

By George Graham  
Washington

THE US Space Shuttle Columbia was launched on Tuesday, but the mission was aborted after 28 minutes because of a problem with the shuttle's main engine. The shuttle was launched at 10.29am EDT from the Kennedy Space Center in Florida. The mission was scheduled to last 28 minutes, but was aborted after 28 minutes because of a problem with the shuttle's main engine. The shuttle was launched at 10.29am EDT from the Kennedy Space Center in Florida. The mission was scheduled to last 28 minutes, but was aborted after 28 minutes because of a problem with the shuttle's main engine.

## election cult bit

## Successful Distance Learning MBA



Prime Minister Kijichi Miyazawa may find less to laugh about in Washington later this month

## Japan sends trade envoy on new mission to US

By Michio Nakamoto in Tokyo

ONE of Japan's most senior trade officials, Mr Nohoru Hatakeyama, vice-minister for international affairs, has gone to Washington in another attempt to ease trade tensions before the arrival of Mr Kijichi Miyazawa, the Japanese prime minister, later this month.

Mr Hatakeyama is expected to reject a US proposal for quantitative measures to track market access in Japan but to discuss the possibility of increased procurement of US products.

The visit, described by the Trade Ministry as an unofficial follow-up to the trip made last

month by Mr Yoshi Mori, Japan's trade minister, comes as several trade disputes threaten to flare up again.

In particular, the Japanese authorities are considering measures against the US carrier Northwest Airlines, according to Mr Ihei Ochi, transport minister. The dispute centres on Northwest's exercise of rights to fly beyond Japan on three flights a week from New York via Osaka and on to Sydney.

The US-Japan aviation accord allows specific US airlines to fly to Japan and on to another destination. Tokyo has argued, however, that in doing

so US airlines must not endanger the business of Japanese airlines.

Japan gave the US airline the go-ahead for the Osaka-Sydney leg of the flight on condition that it kept the proportion of passengers boarding at Osaka to 50 per cent or less.

The Transport Ministry said yesterday it was considering not allowing Northwest to board passengers in Osaka on one of its three flights out of the city to Sydney.

The US and Japan have been at loggerheads about the onward rights issue for some time. Talks in February to try to break the impasse were inconclusive.

## Bank of Tokyo for Vietnam

By Robert Thomson in Tokyo

THE Vietnamese government has given the Bank of Tokyo approval to open a representative office in Ho Chi Minh City which the bank hopes will be a go-between for the increasing number of Japanese companies interested in trade and investment deals in Vietnam.

It will be the first Japanese bank to open an office in Vietnam if, as expected, the Finance Ministry in Tokyo also gives its approval.

The bank wants to tap into the flow of investment from

Taiwan and overseas Chinese communities, who are particularly active investors in Ho Chi Minh City.

Japanese companies have targeted the country as a medium-term, low-cost site for component supply to manufacturing industry. Most Japanese joint ventures signed in the past three years have been in fisheries, agriculture and the oil industry.

China has chosen Mitsubishi Heavy Industries (MHI), the Japanese heavy equipment maker, to provide a Y8bn (\$460m) polyethylene plant for a

site in Jilin province, in the north, which will supply farmers with plastic film for greenhouses and plastic food wrap.

Japanese heavy industrial companies have reported a sudden surge in demand from China, including steel orders running at three times the level of a year earlier, as a capital construction boom continues in coastal provinces in the north and south.

MHI said the plant will be capable of producing the full range of polyethylene resins, and will have an annual capacity of 100,000 tonnes.

# Power plant makers revel in Asia

Andrew Baxter on capacity additions running at triple the 70s' rate

**A**MID the deluge of facts accompanying Asea Brown Boveri's annual results presentation last month was one nugget that spells business - and profits - for the world's contract-hungry power equipment suppliers.

According to Mr Göran Lindahl, the Swiss-Swedish group's executive vice-president for both Asia and for its power plants business, China and Hong Kong will be adding 12,000-15,000MW of new power capacity every year for the rest of this decade. That is the equivalent of Switzerland's entire installed power capacity.

Last week ABB underlined China's status as one of the world's more promising markets for power generating equipment by announcing it had won \$300m (221m) of contracts to supply two separate combined-cycle gas turbine power plants to Guangdong province.

The developing economies of Asia, and in particular China because of its sheer size, are looming large in the plans of the western equipment suppliers.

Power capacity additions in Asia are running at triple the rate seen in the 1970s, while in western markets new capacity is being added at only two-thirds of rates seen 20 years ago.

For ABB, Europe's largest

electrical engineering group, expanding its presence in the Asian market is particularly important. The company has just completed five years of trading since it was formed from the merger of Sweden's Asea and Brown Boveri of Switzerland.

The result so far is a company that exudes technological and management competence but whose financial performance has yet to dazzle. The company has been hit badly by recession in several leading industrial countries and business sectors, and is still falling short of financial targets set by Mr Percy Barnevik, its president and chief executive.

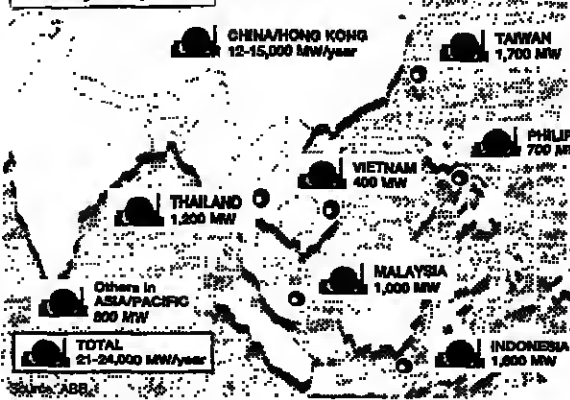
Now both Mr Lindahl and Mr Barnevik are signalling clearly that they are stepping up recent efforts to build green-field plants in Asia and form joint ventures in manufacturing, engineering and service.

Already, ABB has more than 30,000 employees in Asia and Australasia, and the region accounted for 21 per cent of its \$31.6bn total order intake last year.

But Mr Lindahl plans to spend \$1bn in Asia over the next five years to make sure ABB exploits the region's fast-growing economies and their demand for new power plants, related transmission and distribution equipment, and trans-

### Planned annual power generation additions

Total installed capacity in	
Switzerland	15,000MW
Sweden	30,000MW
Germany	100,000MW



portation equipment.

Over the next five years, says Mr Lindahl, Asia, Australasia and the Gulf will rise from the current 17 per cent of ABB's total business volume to about one-third as European business falls back.

For ABB - and its big rivals General Electric, Westinghouse, GEC Alsthom and Siemens - the next few years are likely to witness considerable activity building on the joint ventures already concluded in Asia and forming new ones.

There are already dozens of deals linking western compa-

nies to developing country markets through manufacturing licenses, technology transfer and component supply.

ABB alone is talking to some 50 companies in the Asia-Pacific region about joint ventures.

A classic example of ABB's strategy is its deal announced in February with Hefei Transformer Works, based in Hefei City, about 280 miles west of Shanghai. A joint venture majority-owned by ABB, with HTW and the People's Construction Bank of China as the other owners, will make power

transformers in Hefei City using technology and training provided by the European company.

The production capacity at Hefei will be more than trebled to 5,000MW a year, but there could still be several more deals like it, says Mr Lindahl.

In fact, spending \$1bn goes a long way in Asia because the bulk of investments will not be costly. There will be a lot of service shops and assembly works costing anything from \$1m to \$8m rather than \$50m-\$100m investments, says Mr Barnevik.

Getting the most out of Asia will be an important element in Mr Barnevik's ambitions to improve ABB's operating margins from the current lacklustre 6.1 per cent last year to 10 per cent in a few years' time.

All ABB's rivals have much the same idea, however. GEC Alsthom, the Anglo-French group which is ABB's arch-rival in Europe, has a particularly strong track record in China and Hong Kong, and with GE of the US recently won the fiercely-contested \$1.25bn contract for the Black Point power station in Hong Kong.

This 2,500MW combined cycle station will be one of the largest in the world. But there are plenty more where that came from.

## Clinton 'will seek Gatt deal authority'

PRESIDENT Bill Clinton will ask Congress in a few days' time for 10 more months to negotiate a successful end to the Uruguay Round of global trade talks under Gatt, according to Mr Günter Rexrodt, Germany's economics minister, Reuters reports from Washington.

He was speaking after his first meetings with the new Clinton administration, which reportedly offered assurances that the US was keen to secure an agreement. US officials had no immediate comment.

Mr Rexrodt said the US

leader would ask to be given until December 15 to reach an accord under fast-track authority, which would give Congress three or four months to consider the entire package but would rule out amendments.

Congressional aides said they were awaiting the fast-track request, which was expected to be granted, in the opinion of European Community officials it would be impossible to make serious headway on restarting the talks until Mr Clinton had the authority to negotiate without congressional interference.

## France offers oilseeds card

FRANCE is prepared to consider separately the oilseed part of the US-EC farm trade accord, a spokesman for Prime Minister Edouard Balladur said yesterday, Reuters reports from Paris.

"We can find a separate arrangement (on oilseeds) from the rest of the accord. That doesn't mean we will simply give in," he said after a meeting between Mr Balladur and French farm union leaders.

But he said the French government remained firmly opposed to the global Blair House farm trade agreement struck in Washington last November.

"We are not giving in on the

global farm deal," he said.

Mr Balladur asked farm leaders to see him again on May 7, ahead of a meeting of EC foreign affairs ministers scheduled for May 10.

After the meeting French farm leaders said they were reassured by the new government's willingness to tackle farm issues seriously, although there was no mention during the meeting of a veto of the deal.

"I am convinced of the new government's seriousness but I am not capable of judging its decisions," said Mr Pierre Comoreche, president of the permanent assembly of agricultural chambers (APCA).

Before France's elections at the end of March, the then opposition leader Mr Jacques Chirac declared that he would take a firm line on Gatt even if it meant sparking a crisis in the EC.

The US-EC farm deal is seen as one of the keys to a Gatt Uruguay Round agreement.

France's former Socialist government had threatened to veto the oilseed deal as well as the global farm trade accord.

If accepted by EC states, the accord would limit the EC's oilseed area to 5.13m hectares and cut by 21 per cent the volume of its subsidised farm exports.

New Issue  
April 7, 1993

All these Bonds having been sold, this announcement appears as a matter of record only.



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BANCO BILBAO VIZCAYA DEUTSCHLAND AG	BANK BRUSSEL LAMBERT N.V.	BANQUE NATIONALE DE PARIS S.A. & CO. (DEUTSCHLAND) OHG
BANQUE PARIBAS (DEUTSCHLAND) OHG	BAYERISCHE HYPOTHEKEN- UND WECHSEL-BANK AKTIENGESellschaft	BAYERISCHE VEREINSBANK AKTIENGESellschaft
CAISSE DES DEPOTS ET CONSIGNATIONS GMBH	CCF-CRT BANK	CREDIT LYONNAIS SA & CO (DEUTSCHLAND) OHG
DAIWA EUROPE (DEUTSCHLAND) GMBH	DEUTSCHE GIROZENTRALE - DEUTSCHE KOMMUNALBANK -	DG BANK DEUTSCHE GENOSSENSCHAFTSBANK
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J.P. MORGAN GMBH	MORGAN STANLEY GMBH	NIKKO BANK (DEUTSCHLAND) GMBH
NOMURA BANK (DEUTSCHLAND) GMBH	NORDEUTSCHE LANDESBANK GIROZENTRALE	RABOBANK (DEUTSCHLAND) AG
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# Hata spurns foreign ministry

By Robert Thomson in Tokyo

WHEN THE job of Japanese foreign minister suddenly became vacant yesterday, Mr Tsutomu Hata, leader of a rebel faction in the ruling Liberal Democratic party, was offered the chance to sit at the top table with the Group of Seven leading industrial nations and turned it down.

Mr Kijichi Miyazawa, the prime minister, turned the need to appoint a foreign minister into a great opportunity to embarrass a political rival, as Mr Hata glumly explained that his role in a domestic political reform campaign was more important than the ministerial post.

After Mr Hata turned down the job, made vacant by Mr Michio Watanabe's resignation yesterday due to falling health, Mr Miyazawa offered it to another member of the Watanabe faction, Mr Kabun Muto, 66 - a former minister of international trade and industry and Mr Watanabe's recom-

mended successor.

Prime Minister Miyazawa knew that Mr Hata, highly regarded by the public, would agonise over the decision, as Japan is to chair the G7 this year. Mr Hata would have been host to a meeting of foreign and finance ministers next week to discuss Russia, and taken a leading role in preparations for a July summit.

Mr Watanabe, 69, was admitted to hospital yesterday suffering from a "cold and overwork". It was the third time in a year he has had to seek hospital treatment, and he conceded that he was not fit enough to cope with a tough schedule in coming months.

The loss of Mr Watanabe will be a blow to Japanese foreign policy, as he is regarded a powerful operator within the ministry, capable of forcing the bureaucracy to react quickly. A European diplomat said: "Mr Watanabe was a man who could get things done, but I'm not sure the same could be said about his successor."



Kabun Muto: offered the job as Japan's foreign minister at 66

# Rising yen adds urgency to 'post-bubble' restructuring

Robert Thomson on a 10 per cent appreciation in Japan's currency

WHEN the yen surged in recent days, the first shout of pain came from Japan's ruling Liberal Democratic party. It apparently second-guessed industry concerns by suggesting that the yen's strength would be high on the agenda for the Group of Seven industrialised nations.

With G7 countries more concerned about the ruble than the yen, the LDP idea was quickly rejected by Japan's ministry of finance and the Economic Planning Agency, and even by export industries, which have shown surprising calm as the yen has hit post-war highs each day on foreign exchange markets.

The Japanese currency has appreciated 10 per cent against the dollar since mid-January, and the trend has gathered momentum over the past week, prompting the Bank of Japan to intervene in the Tokyo foreign exchange market last Friday and on Monday to support the dollar.

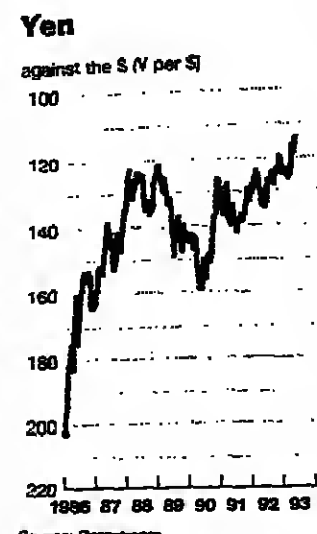
By the reckoning of the EPA, a 10 per cent yen appreciation will lead to a 0.48 per cent contraction in gross national prod-

uct. But it will also lead to a 1.3 per cent fall in consumer prices, thanks to lower costs for imported commodities.

In the short term, the EPA expects the current account surplus, a record \$117.5bn (\$32.9bn) last year, to rise, but higher export prices should mean a longer-term fall in the surplus.

The yen-dollar rate is of most concern to Japanese companies reliant on trade, as about 60 per cent of export contracts and 83 per cent of import contracts were denominated in dollars last year. But the Bank of Japan apparently intervened, not out of concern for the impact on these companies, but more because the bank wanted to stop what it saw as an unhealthy surge of speculative interest in the yen.

Mr Yasushi Mieno, the bank's governor, reflected the desire for calm when he said "exchange rates should reflect the economic fundamentals of a country and be stable". Given that Mr Mieno expects a Japanese recovery will come late this year, he saw the volatile movement of the yen, which hit ¥113.30 to the dollar



on Monday, as way out of line with the fundamentals.

For most Japanese manufacturers, yen appreciation is another reason to intensify restructuring programmes begun after the currency's sharp rise in the mid-1980s, inspired by the Plaza Accord in September 1986. Companies are relatively calm because the ¥110 level was looming six years ago. Then the dollar rate hit ¥120.45 and suddenly retreated, easing the pressure on export industries to find cheaper sites elsewhere in Asia.

The yen weakened until April 1990, when it reached a low of ¥160.35, and began an ascent that continues. Curiously, the year 1990 also marked the low point, \$35.76bn, for the current account surplus, which more than doubled in 1991 and rose another 61 per cent last year, prompting US

officials to call for another strengthening of the yen.

EPA officials say the "bubble economy", the speculative excesses and rapid spending growth of the late 1980s, is to blame for the contradictory figures during that period - weaker yen, lower surplus, instead of the other way around. The bubble era also distorted the investment decisions of manufacturers, who had record increases in profits and miscalculated on forecasts for domestic demand, the cost of capital and return on domestic investment.

The result was that car and electronics manufacturers who should have put more low-cost factories in Thailand and southern China instead placed them in Kyushu, the southern island of Japan.

Manufacturers are stuck with high production costs and excess capacity at home, leaving them with an operating profit margin of less than 3 per cent for the year ended in March. In 1986, after the "yen shock" of the Plaza Accord, the average profit margin was 3.2 per cent, while the oil-shock affected low of 1975 was 1.5 per cent.

Mr Yutaka Sugiyama, an Asian region specialist at UBS Securities, said manufacturers could easily increase production capacity in south-east Asia at the expense of their domestic facilities. "But the question they must confront is what production are they going to leave for their workers in Japan? These foreign plants are, technically, very capable, but the companies have to find something for their workers to do."

# Industry looks abroad again to cut costs

THE relentless rise of the yen against the dollar has presented large sections of Japanese industry with a significant obstacle to recovery.

Exporters, such as motor vehicles, electronics and industrial machinery manufacturers which have drawn up business plans for the first half of the fiscal year at a currency rate closer to ¥115-¥120 to the dollar compared with the ¥114.23 at which it closed yesterday, are staring at the prospect of substantially reduced revenues if the trend continues.

Pioneer, the audio-visual manufacturer, says that it loses about ¥800m with each ¥1 rise in the yen's value against the dollar.

In addition to lower dollar-based earnings, the impact of the yen's rise is already being reflected in some areas in the reduced cost-competitiveness of Japanese industry.

Japanese vehicle manufacturers, for example, saw their share of the US market eroded in March by the need to raise prices to deal with the yen's rise. Sales of imported Japanese cars in particular fell 13.2 per cent.

Ishikawajima-Harima Heavy Industries says that customers are becoming less willing to pay for its ships in yen as they have traditionally done. "If Japanese manufacturers insist on yen-based payments, orders may go to the Koreans," an IHI representative says.

The adverse impact of the higher yen is thus focusing the minds of Japanese corporations on speeding up measures to cope with lower export revenues and reduced cost competitiveness.

Companies talk of accelerating the transfer of production overseas, greater efforts to procure components locally where overseas production exists and a possible rise in imports of foreign products which are more cost effective than domestic products.

The lessons of the previous period of *endaka*, or high yen, in the mid-to-late 1980s have already led most big companies that depend on exports to any large degree to move manufacturing overseas.

Sega, the video games manufacturer, says that 80 per cent of its video games sold overseas are also manufactured overseas. The company is able to offset the impact of a weaker dollar by the fact that 80 per cent of dollar-based revenues go towards dollar-based payments.

However, the trend to shift manufacturing outside of Japan is likely to see a renewed surge with the further rise of the yen, with China and

Michio Nakamoto on company views

other low-labour-cost areas increasingly popular choices for investment.

Aiwa, which already manufactures 65 per cent of its products overseas, says that if the Japanese currency continues to strengthen it will have to consider moving more production out of Japan.

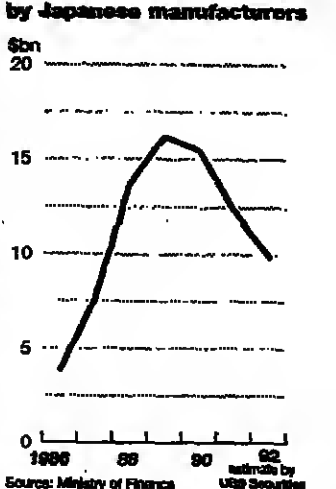
Chiyoda, the plant manufacturer, procures 60 per cent of its components used in overseas manufacturing locally, but believes it will have to raise that level further.

Meanwhile, the yen's rise could trigger a greater willingness to look overseas for components which raise companies' cost competitiveness at home.

IHI said yesterday it would increase the proportion of imported components in its aircraft engines from 50 per cent to 70 per cent in an effort to reduce costs.

"These measures will no

Overseas direct investment by Japanese manufacturers



doubt serve to soften the impact of the yen's surge. But they are by no means aimed solely at dealing with it. Japanese companies faced with a persistent domestic slump and weak markets elsewhere have already been working on reducing overall costs.

"The main strategy is to have competitive products that will sell even if we have to raise prices," says a representative of Nikon, the camera and precision instruments maker.

The rise of the yen, he says, "will put pressure on Japanese companies to invest more in technological advances to raise their international competitiveness. That is not only a response to *endaka*, but the way forward."

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مكتبة الشرح



# Patten defends Hong Kong democratic reforms

By Robert Mauthner, Diplomatic Editor

MR CHRIS PATTEN, governor of Hong Kong, yesterday defended his much-maligned democratic reform proposals for the colony by indicating that they were part of "the minimum values" which Britain could not honourably abandon.

In a speech to the Royal Institute

of International Affairs in London, Mr Patten said a credible though not necessarily completely democratic Legislative Council (Legco) was part of "the framework of the rule of law" to which both Britain and China had subscribed in their 1984 Joint Declaration.

"The minimum value that we should hold on to is that the last election under British rule (in Hong Kong) should be clean and fair and

not rigged. Should we allow the bottom line to be moved every time people disagree with us?"

In spite of his attachment to bottom lines, however, the governor said Britain did not want to impose solutions on the Hong Kong people which they did not themselves favour.

"Our position remains as it was. We don't wish to go further than the people of Hong Kong wish to go,

but also not less far than they want."

He also continued to adopt a flexible attitude towards the Chinese government and professed to be puzzled by Beijing's refusal to hold early face-to-face talks with Britain.

There was no disagreement between the two sides that the talks should be between the present and future sovereign powers in Hong

Kong, Britain and China, nor was there any dispute over holding them in Beijing. As far as Mr Patten was concerned, they could start "this afternoon."

The governor was well aware that such talks would be "extremely difficult indeed." Nevertheless, they would offer the Chinese the opportunity of explaining "what they would like to do about the 1994 and 1995 elections (for district

councils and the legislative council).

"I hope that talks can start very soon and in a spirit of sincerity by both sides," Mr Patten said. However, if the Chinese did not agree to direct talks, his proposals for democratic reforms would be put to Legco. Mr Patten once again declined to fix a deadline for submitting the reform plan to the council.

## S Korea to probe chaebol power

By John Burton in Seoul

THE South Korean government said yesterday it will investigate unfair trading practices by the country's large conglomerates, or chaebol.

The announcement by Mr Han Lee-hun, the chairman of the Fair Trade Commission, indicated that the new government of President Kim Young-sam will use anti-trust laws as its main weapon to curb the economic power of the chaebol. In a meeting with senior officials from the country's 30 largest chaebol, Mr Han explained that the chaebol had grown too large and diversified to compete effectively abroad and that their dominance of the domestic economy prevented the growth of small and medium businesses.

He also criticised the ownership structure of the chaebol, which are usually controlled by one family. The government is likely to impose new inheritance and gift taxes to dilute family ownership.

The goal of the government's chaebol policy will be to force the conglomerates to rationalise their operations and concentrate on a few core industries. Some chaebol, such as Hyundai and Samsung, own 40 or 50 different businesses.

The government has already imposed restrictions on cross-shareholdings and debt payment guarantees among chaebol subsidiaries to weaken the links between them.

Mr Han, a former economic adviser to President Kim, said the government will now investigate internal trade practices among chaebol subsidiaries that he alleges inhibit fair competition.

Internal trading within chaebol groups reduces the ability of small businesses to sell products and services to the conglomerates.

The FTC estimates that internal trading accounts for 21 per cent of purchases and 16.9 per cent of sales among the chaebol.

# Pakistan's prime minister faces toughest political test

WHEN Prime Minister Nawaz Sharif came to office two and a half years ago, he was seen as a strong leader who would survive the intrigues of Pakistani politics and complete his five-year term of office, unlike two predecessors who were sacked at mid-term.

Believed to be a protégé of Pakistan's powerful president, Mr Ghulam Ishaq Khan, and politically influential army generals, Mr Sharif brought a new agenda of economic reforms. However, new rifts within the cabinet and signs of a strained relationship with the president have raised concerns over the prime minister's ability to carry on.

Yesterday, dissent deepened with the resignation of the minister of state for economic affairs, Mr Sardar Asseff Ahmed Ali. Mr Ali, the fourth cabinet minister to quit within a week, accused Mr Sharif of incompetence in handling foreign policy and the economy.

He said there had been a "wide front failure" in foreign policy which had isolated the country from the world, and charged the government with failure to clamp down on alleged terrorists who had come to Pakistan from other Islamic countries. Mr Ali accused Mr Sharif of failing to revive the economy - a charge which hit at the heart of the prime minister's political agenda, and at a sensitive time with the budget deficit expected to exceed the government's target by a wide margin.

Some senior officials saw the

## Cabinet rifts and a strained relationship with the president are weakening Mr Sharif, writes Farhan Bokhari

recent departures as creating the most difficult crisis of Mr Sharif's political career.

The previous ministerial resignations, as well as that of a federal government adviser, were in protest against nomination of Mr Sharif by supporters as president of the ruling Pakistan Muslim league, in an effort to strengthen his position.

In addition, the provincial finance minister of the North Western Frontier Province who was seen as the prime minister's protégé was sacked last weekend by the chief minister, a supporter of the president.

The latest rift began in January, when the president set aside Mr Sharif's advice and appointed General Abdul Wahed as chief of army staff, one of the most powerful positions in a country ruled by the military for more than half of its independent existence since 1947.

The president has the power to appoint the army chief

through powers under the eighth constitutional amendment introduced by the late military dictator, General Zia ul Haq, which also enables the president to dissolve the national assembly and call fresh elections in the national interest. Mr Khan used that power to dismiss Ms Benazir Bhutto's government in 1990 on charges of corruption.

"The general's appointment brought shimmering differences out in the open," said one senior official.

In response, Mr Sharif announced his intention to change the amendment, giving more powers to his office.

"If you really want to establish the authority of the parliament and respect to the mandate given to the prime minister, the eighth amendment to the constitution will have to undergo a change," he said.

President Khan responded by saying it was his duty to defend the constitution of which the amendment was a part. Cabinet ministers close to Mr Sharif said privately that the prime minister had become frustrated as he found the constitution undermining his authority.

The governors and chief ministers of at least three of the four provinces as well as some senior bureaucrats loyal to the president, were subverting Mr Sharif's authority by maintaining direct contact with the presidency, they added.

"The prime minister wants to take charge and press ahead

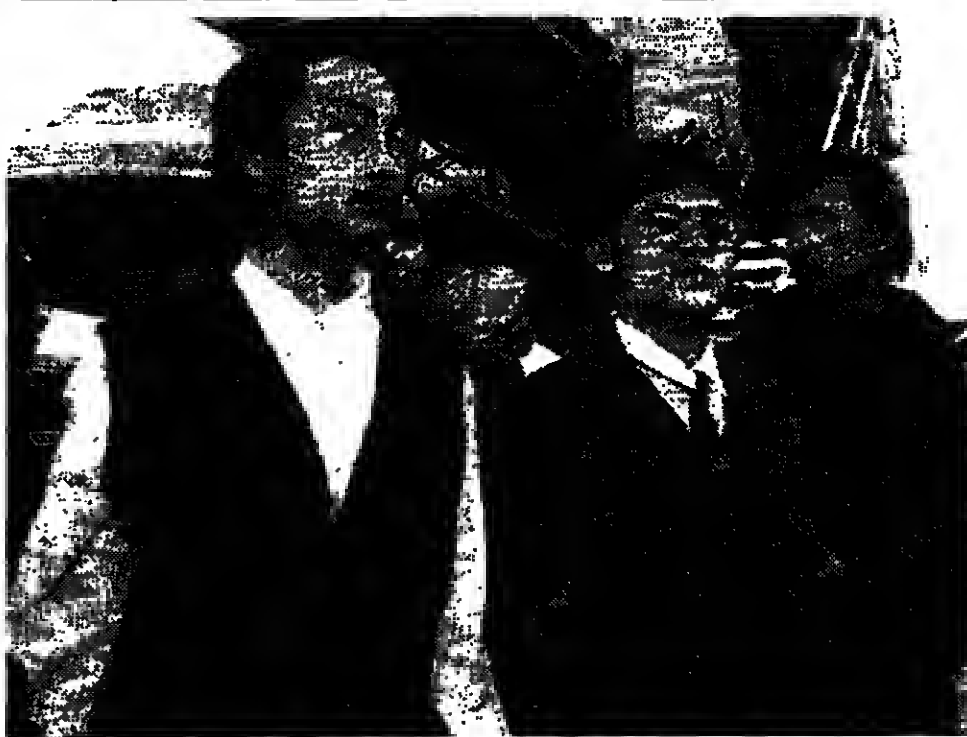
with his plans, but is just not able to do so in the present set-up," said one official close to Mr Sharif.

After last week's build-up of dissent, Mr Sharif was told by cabinet ministers that he must end confrontation with the president. In response, he held a 90-minute meeting with Mr Khan, and shortly afterwards announced that his government would back the president for a second term in office, in presidential elections due in November. Privately, some officials admitted, the prime minister had assured the president that he would not press ahead with his plans to repeal the 8th amendment.

Although officials close to Mr Sharif say that the differences with the president have been resolved, dissidents within his party are trying to gather support for a vote of no confidence. So far, prime ministerial aides are confident that the dissent will not broaden to the extent that Mr Sharif would lose his majority in parliament.

However, an aide to one of the dissidents said, "It doesn't take long for dissent to spread, especially when elected members fear that if they don't get rid of the prime minister now, they may all have to pack up and go home after the assemblies are dissolved."

However, most diplomats believe Mr Sharif will continue in office because of support from his home province, the Punjab - where he was chief minister - and because there are few alternatives.



The two hijackers who forced a China Southern Airlines Boeing 757 carrying 204 people to Taiwan yesterday are taken away by police at Taipei's main airport. The men, armed with pistols, had stormed the cockpit of a Beijing flight bound for the southern Chinese city of Shenzhen. The aircraft returned to China, but the hijackers, who asked for political asylum, remained in custody.

## Victoria seeks to trim deficit

By Kevin Brown in Sydney

THE CONSERVATIVE government of Victoria, Australia's second most populous state, yesterday announced 17,800 public sector redundancies in a tough economic statement designed to narrow the state's budget deficit.

The redundancies, to be implemented by June, follow the loss of more than 14,000 public sector jobs since the conservative Liberal/National party defeated the former Labor government in October.

Mr Alan Stockdale, state treasurer (finance minister), also announced a \$247m (£121m) tax increase and spending cuts of \$473m by June 1995, bringing total spending cuts since the election to \$1.2bn.

Mr Stockdale said the cost of the redundancies would raise the 1992-93 budget deficit to \$2.454bn from \$2.345bn, compared with \$1.6bn last year. He said the budget would return to surplus in 1994-95.

Mr Stockdale said harsh measures had been forced on

the government by the financial profligacy of the former Labor government.

"I think people realise that there is no choice. If we defer dealing with the mess that the Labor party left behind, then in two or three years' time the spiral of debt that follows from the deficit will force us to make even bigger cuts," Mr Stockdale said.

Most cuts will fall on health, social and education services, in growing demand due to the sluggish economy and industrial restructuring.

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Alaska, meanwhile, was "a mean, nasty, unforgiving place to work," according to one geologist. The tundra freezes to concrete in winter and thaws into a sponge-like prairie in summer.

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Nevertheless, it is too much to ask that the next time we strike oil, the gods could exercise a bit more restraint...





## NEWS: UK

# Ford of Britain reduces prices and dealer margins

By John Griffiths

FORD of Britain yesterday cut prices of its new Mondeo car range by an average of 6 per cent in response to fleet buyers' criticisms that it was too expensive.

Ford announced other cuts in prices and dealer margins on the eve of the launch of Rover's 600 model.

Motor industry analysts, led by Prof Garel Rhys of Cardiff Business School, see the cuts as marking the end of Ford's long-standing ability, as UK market leader, to set the framework for competition in the new car market.

The company is cutting up to 10 per cent on its Granada/Scorpio range of executive cars and about 5 per cent on Escort and Fiesta models.

With the exception of the Mondeo, the prices customers will pay are unlikely to change much, because Ford also cut dealer margins on all cars to 10 per cent from the customary 16 per cent to 17 per cent.

Most dealers have been giving discounts of at least 10 per cent so all the price realignments have done is reduce their room for manoeuvre.

The Mondeo price cuts will be passed on to customers, because dealers have had only

a 10 per cent margin on them from the start of sales.

Ford said last night the lower prices would apply to all existing orders. Customers who had taken delivery of cars at the higher "introductory" prices would be reimbursed.

Although the Mondeo price reductions average 6 per cent, there are wide variations. For example the 1.6LX 5-door Mondeo, expected to be one of the biggest-selling Beet cars, from today costs £11,835 instead of £13,090 - a reduction of nearly 10 per cent. The 2 litre Ghia five-door drops by only 3½ per cent, to £17,450 from £18,080.

Mr Ian McAlister, chairman

of Ford of Britain, attributed the move to changes in company car taxation in last month's budget. From April 6, 1994, tax assessed on company cars will be based on a simple percentage of manufacturers' retail list prices.

Critics pointed out at its launch two weeks ago that some Mondeo models were £1,500 dearer than their closest Vauxhall Cavalier rivals.

This did not stop Mondeo coming sixth in the list of best sellers last month, despite being on sale for only a portion of it. Some 5,700 were registered.

Ford's announcement co-

incided with statistics showing new car registrations up in March for the sixth consecutive month, lifting the new car market 11.58 per cent higher in the first quarter than a year ago.

Doubts continued about whether the recovery is as strong as it appears, and the extent to which the statistics are inflated by manufacturer-inspired market-boosting tactics, such as large-scale registering of dealer "demonstrators" for which there are no final buyers.

These doubts were reinforced by the sharp contrast between the car market rise and a further drop in registrations of commercial vehicles, also announced by the Society of Motor Manufacturers and Traders yesterday.

Van, truck and bus registrations fell by 11.75 per cent from the already severely depressed levels of a year ago and the market was 5.36 per cent lower in the first quarter than in the same 1992 period.

The Retail Motor Industry Federation, representing most of the UK's dealers and other motor trades, described the car figures as "disappointing".

● The future of management buy-outs at Leyland Daf was uncertain last night after the

Court of Appeal backed a component maker's assertion that it was under no obligation to keep supplying parts to the UK truck and van maker.

But within hours, the supplier, Automotive Products, made contact with Mr Murdoch McKillop, the joint administrative Receiver of Leyland Daf.

The brake and clutch maker, a subsidiary of the BBA group, said it was "seeking to establish the basis on which it (AP) can make further supplies available, thus safeguarding continuity of Leyland Daf's production". About 3,500 jobs are at stake.

## Shake-up of business practices put forward by Labour

By Alison Smith

AN OVERHAUL of British business practice was put forward by the opposition Labour party yesterday as the only way to reverse the UK's manufacturing decline and forge a path for industry into the next century.

Among Labour's main suggestions are proposals for channelling more investment into industry through building societies and pension funds, tax incentives for companies, reform of takeover law to bring greater stability and representation of employees on company boards.

The overall aim of the plans in the paper, Making Britain's Future, is to develop a longer-term approach to investment, in contrast to what Labour sees as the "short-termism" of the City and the pursuit of growth through acquisition.

Mr John Smith, Labour leader, emphasised that there would be consultation over the coming months as the document is discussed with business, industry, professional associations and trades unions. "Our aim is to reach the maximum consensus on the most successful way forward for British industry," he said.

The post-consultation version will be presented to the party conference in 1994, and will form the basis of Labour's industrial policy at the next election.

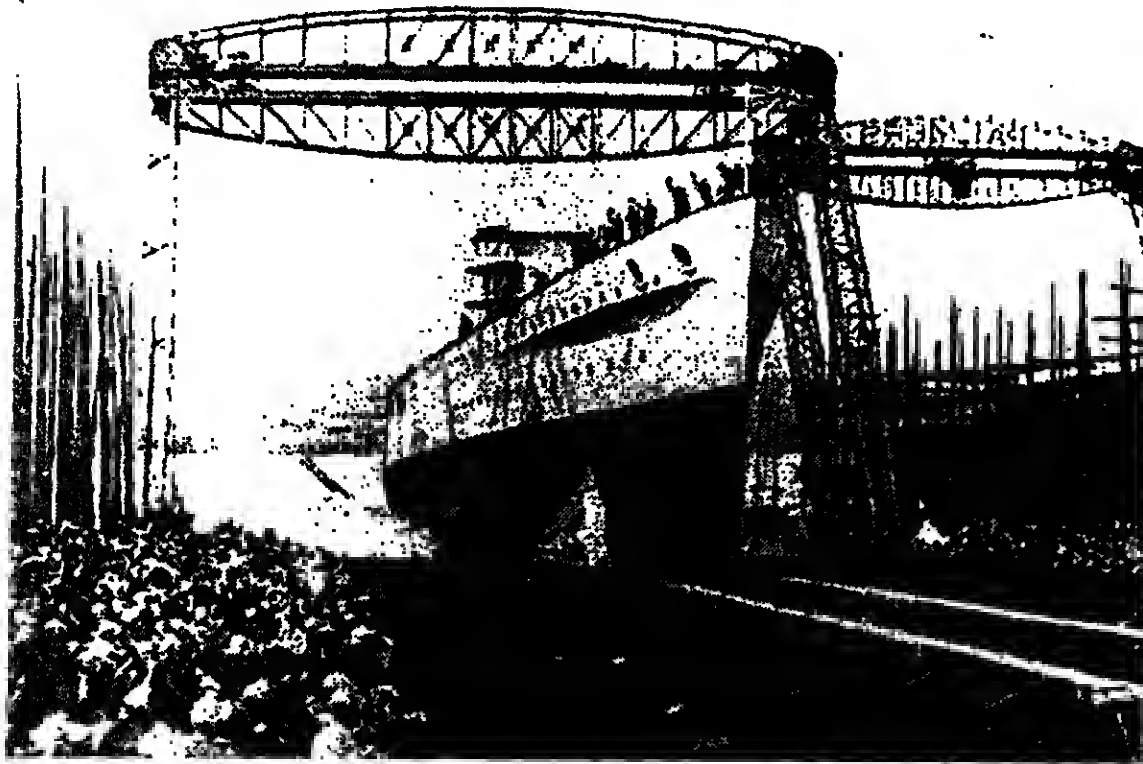
While the paper includes some familiar Labour proposals, such as a training levy on companies which do not invest in skills, it also contains a shift in mood. The emphasis is on the government's allowing and encouraging change rather than legislating to enforce it.

Mr Robin Cook, "shadow" trade and industry secretary, said that the rescue of companies in trouble was only a minor part of government industrial strategy, which was about "promoting success".

Following up the paper's condemnation of the Tories for lack of commitment to manufacturing, in spite of their change in rhetoric, Mr Smith expressed scepticism at recent ministerial pronouncements that the economic recovery was under way. "The test that we will be applying is: does unemployment come down?"

Mr Anthony Nelson, a junior Treasury minister, dismissed Labour's programme as a repackaging of the "meddling and muddling".

Sir Michael Angus, chairman of the Confederation of British Industry - the employers' organisation - welcomed the prospect of discussion on the positive aspects of Labour's plans but warned that there was no reason to think that ideas previously unacceptable to British business, such as employee directors, would be well-received now.



## Tyne hopes shipyard will not slip away

TYNESIDE shipyard workers gathered yesterday to watch the latest launch by Swan Hunter, hoping it will not be the last in north-east England's centuries-long shipbuilding history, writes Chris Tigue.

HMS Richmond, a Type 23 frigate (right), is the last ship to be launched in the current order book of Swan Hunter, itself the last shipbuilding company in a region which, in the years at the turn of the century, often produced two out of every five ships built in the world.

Following yesterday's launch, Richmond joins her sister ships Westminster and Northumberland for fitting out on the Tyne. All three will have been handed over by the end of 1994.

The future of the Tyneside company as a shipbuilder hangs on its bid for a Ministry of Defence helicopter carrier, an order worth around £170m, for which it is fighting Barrow-in-Furness based VSEL.

The government confirmed last week that the order, described by Swan Hunter as "absolutely critical" to the company, will be placed later this year.

Ship launches have long been a cause for celebration on Tyneside. The launch of the Duchess of York in 1928 (left) from Palmers in Jarrow was just one of hundreds of days when crowds turned out for the spectacle.

Swan Hunter, founded in 1874, has launched more than 400 warships. Its passenger ships include the Mauretania.

Mr Roger Vaughan, joint chief executive, said launch days were always big occasions but yesterday's was special. "The uncertainty over the helicopter carrier programme has gone," he said. "We're setting out to win the battle to build it, to secure the future of Swan Hunter and its workforce."



## One of the less popular views of Spain.

Northern Spain is a bonus to travellers who thought they'd seen everything Spain had to offer. In the regions of Galicia, Asturias, Cantabria and the Basque Country, you'll find a pleasant surprise around every corner.

- Villages nestle in deep, lush valleys against a perpetual backdrop of mountains
- But that's the real beauty of "Green" Spain. The daily discovery of hidden gems, be it prehistoric caves at Altamira, or the uncannily orange sunset in Naranjo de Bulnes
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And watch the fishing boats returning with your supper. It's at times like these you'll see Northern Spain in its real colours.



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## BUSINESS AND THE ENVIRONMENT

The environmentally conscious consumer faces a mind-boggling array of choices just pushing a trolley down the aisle of a supermarket. Forced to make a decision between non-phosphate and normal detergent, recycled or ordinary toilet paper and an array of other goods, an ecologically-minded shopper may wonder whether the "green" product is worth the extra money, and if it poses a tangible environmental benefit.

Retailers and manufacturers are often as confused as their customers. Anxious to capitalise on growing ecological awareness, they are uncertain about the best way to present "green" goods to buyers.

Despite the confusion, some trends are emerging. Companies ignore the surge in environmental awareness at their peril, researchers say. Market studies by consulting groups such as EBF Associates and Environmental Research Associates indicate that younger generations, the consumers of the future, are more environmentally conscious than other segments of the population.

"In our survey of adult consumers, 18- and 19-year-olds were far more willing to spend money on ecological products than other segments of the population," says Anthony Casali, president of the Environmental Research Associates. "This, in addition to the growing awareness of older generations, means that the market for green goods will explode over the next few years."

Even high-priced items such as cars and computers are being hit by ecological fever. The Environmental Protection Agency will soon start to hand out "green" labels for computers using less electricity, and BMW, the German car-maker, has been running advertisements based on its CFC-free car air conditioners.

The new environmental awareness does not mean, though, that companies can charge whatever they like for green products. "We tested purchasing patterns for a whole range of environmentally sensitive goods, and found that consumers were willing to pay more for only 6 per cent of the items," says Casali. "Of those 6 per cent, most were detergents and soaps."

Given shoppers' willingness to pay higher prices for green detergents, it is perhaps surprising that manufacturers in this category have been among the most innovative in finding ways to slice costs.

US detergent manufacturers are beginning to offer consumers cheaper refill packages, which do not contain the plastic spoons and other goodies supplied with many products. The ecological argument is that the refills eliminate solid waste by reducing unnecessary

Victoria Griffith examines the fickle purchasing patterns of green consumers

## Changing colours



"WE ONLY ACCEPT RECYCLED MONEY."

packaging. They also save consumers money, and this probably accounts for their wide appeal.

The office products chain Staples has found out first hand how unwilling many shoppers are to pay more for recycled goods. "Sales of our recycled products have declined in proportion to overall sales," says David Graham, head of paper buying for the store.

He blames the decline on the high prices of recycled paper. "Manufacturers have been charging us more for recycled paper goods, and we've been forced to pass that on to the consumer. Clearly, shoppers are still very price sensitive when it

comes to buying green products."

There is always the exception to the rule, though. Ecological boutiques, for instance, still command high mark-ups on environmental products, although market researchers point out that the segment of the population frequenting these stores is small. "The people who buy at these stores tend to be highly motivated green shoppers," says Casali. "They also tend to be more externally motivated than people buying green products at the supermarket. They may truly be concerned about the environment, but they are also buying into the image of the store. Carrying around

a shopping bag from boutiques like The Nature Shop and the Body Shop makes a statement."

Edward Flesch, principal of marketing consultants EFG Associates, believes the long-term trend will be away from the boutiques and towards the mainstreaming of ecological goods. "The large retail stores will not allow this business to be taken away from them," says Flesch.

The boutiques, not surprisingly, disagree. "When consumers buy products at the Body Shop, they know they're advocating an entire environmental philosophy," says Robert Triefus, group spokesman.

While boutique marketing may work for certain stores, larger retailers say they will stick to an integrated approach in promoting their own green goods. "We tried separating products out into an 'ecological' section, to create a green boutique within the main store," says Graham. "But that was very unsuccessful. Buyers seem to prefer to see the products on the shelves with the regular items."

However green products are marketed, consultants urge their clients to ensure that the goods actually provide the environmental benefit promised. Retailers and manufacturers are concerned about a possible consumer backlash as companies climb on the ecological bandwagon indiscriminately.

One New York furniture store, for instance, recently touted sofas covered with unbleached muslin as ecologically sensitive. Since natural dyes can be used with no harmful impact on the environment, some activists questioned the green credentials of the product. More serious, perhaps, are findings that US paper products labeled as recycled may contain mill waste, rather than post-consumer waste, and therefore be no more green than other paper products.

"We are very concerned about a possible consumer backlash if companies are not more responsible," says Edward Triescher, environmental director at Smith & Hawken, an ecologically oriented retailer of gardening products. US retailers are calling on the Environmental Protection Agency to set standards for green labelling to help address this problem.

A few countries, such as Canada, already have environmental labelling laws in effect. Although companies may not have sorted out all the problems involved in environmental marketing, it seems the trend toward green retailing is here to stay. As time goes on, stores are likely to become increasingly aware about the presentation and pricing of ecological goods. Confusing as it may be, it is not only ecologically responsible, but extremely lucrative.

## WORLDWIDE WATER

# An unhealthy drink for a nation

Leyla Boulton samples Russia's contaminated supplies



With three-fourths of its surface water unfit to drink, and a third of the underground water supplies contaminated, water is a prime victim of decades of abuse of Russia's environment. There is no shortage of horror stories about what the leading western expert on ecology and health of the former Soviet Union, Murray Feshbach, has termed "water torture". For example, Lake Baikal, a natural wonder, is under threat from industrial plants set up under the Soviet system of putting output targets before the quality of life.

The latest horror to surface is described in an official report published last week which says that the navy has for the past 30 years dumped radioactive submarines and waste into Russia's northern seas - with untold consequences for the ecosystem.

But today it is the more mundane problems of industrial pollution and ageing water treatment systems that pose a direct threat to the health of Russians.

In Siberian oil fields, oil from leaky pipes is seeping into the ground and rivers. The Kuzbass mining region is pouring coal-mining waste into the Tom River, poisoning water for cities downstream.

In most Russian cities, sewage systems are decades old and are mended on a haphazard basis. Poisons such as phenol, dioxins and DDT, strictly policed in the west, are found in abundance in the rivers of the former Soviet Union.

Economic and political crises are forcing important environmental and health issues such as the state of the nation's water supplies to take a back seat. Priorities such as economic reform, shoring up industrial output and paying for grain imports mean there are simply neither the resources nor the political will to clean up the country's water.

"When enterprises are being privatised and people are worrying

about production, they are not concerned about water treatment systems," complains Alexei Yablokov, a leading Russian environmentalist and adviser to President Boris Yeltsin.

He notes that although air pollution fell by 12 to 15 per cent last year, with a 20 per cent drop in industrial production, water pollution increased. The country's first annual survey on health and the environment found that, in 1991, a quarter of water pipes connected to Russian homes and a third of those to institutions delivered water that were "insufficiently cleaned".



Lake Baikal: fresh water threatened

Yablokov says a direct consequence of poor water supplies is an increase in intestinal illnesses. Even cholera has made a guest-appearance in recent years. Victims of the last outbreak in 1990, in Stavropol and then Rostov in southern Russia, drank river water without boiling it.

A federation treaty, sharing previously central government responsibility for health and environment with local authorities, has yet to be implemented. But no matter whose control they are under, tax revenues are likely to be directed to more short-term problems in the future.

"This is not a federal problem," says Yablokov. "This is a regional problem to which attention needs

to be attracted... We need to introduce payment for water and enforce payment for pollution."

But there is no likelihood of authorities making people pay for clean water in the near future. When market reforms have caused living standards to plunge, most people cannot afford to pay more than the presently symbolic water charges. Nor would the politicians try to make them do so.

The former Soviet Union already has a system of fines for pollution, but many enterprises still find it more profitable to pay the fines than to operate expensive filters and acquire clean technology.

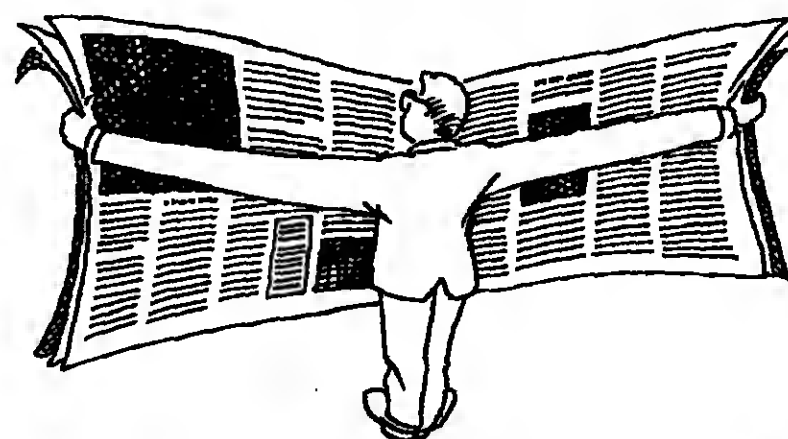
Alain Dangeard, the former head of France's waste disposal agency and now an international consultant on water and mining, says the west should be ready for "imaginative co-operation" with local authorities on overhauling water and sewage systems.

"It is not just a question of money, but of technology transfers, and institution-building. There is a need to multiply model successes of co-operation to set an example," he says. But an immediate priority is to ensure that new industrial projects do not add to existing problems.

"One needs to clean up sources of pollution but one cannot clean up water quickly. The main priority is that any new industrial contracts should involve clean technology. Allowing new investment which pollutes would be suicidal."

Many of the problems are taking place outside Russia's borders, aggravated by the break-up of the Soviet Union. Ten days ago the five Central Asian states and Russia met to draw up a programme to join efforts in combatting the Aral Sea disaster. The sea is drying up because it has been used to irrigate the cotton monoculture imposed on Central Asia by Soviet industrial planners. But Russia, having abandoned a Soviet-era project to divert Siberian rivers towards Central Asia, is unlikely to put a nightmare which is taking place beyond its borders near the top of its list of spending priorities.

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مكتبة النور



# PEOPLE



Marjorie Scardino, president of The Economist in North America since 1985, has been appointed chief executive of The Economist. She succeeds David Gordon who becomes chief executive of ITN.

**■ Ron Pollard**, the doyen of odds-setters who was with Ladbrokes for 30 years, has joined ICI INDEXX as a consultant.

**■ Geoff Ellis** has been appointed finance director and director of commercial affairs at CIG (UK).

**■ Christopher Lister**, formerly marketing director at a John

Brown subsidiary, has been appointed sales and marketing director at Wyseplant, a P&O company.

**■ Paul Byrne**, md of TDG's storage division, has been appointed to the board of TRANSPORT DEVELOPMENT GROUP.

**■ David Richards**, formerly vice-president of marketing

**■ Dale Electric International**, the Yorkshire-based power equipment group, has appointed John Savage as a main board director and to the new post of md of Dale Power Systems, its recently-created principal UK subsidiary.

The appointment of Savage is an important step for Dale Electric. Dale Power Systems groups all the main UK businesses in a new functional-based organisation and was formed from three product-based subsidiaries. The reorganisation is aimed at putting the company in the best shape for quick recovery from recession, says Iain Dale, Dale Electric chairman.

Savage, 51, was previously md of the UK subsidiary of Merlin-Gerin, the French electrical products group, for six years and before that held senior positions within various GEC companies.

## Neil Hood joins Grampian

Neil Hood of Strathclyde university in Glasgow is adding to his considerable portfolio. He is to become a non-executive director of Grampian Holdings, the Glasgow-based multi-conglomerate whose interests range from veterinary pharmaceuticals to sporting goods.

Hood, 49, is director of the Strathclyde International Business Unit, and has been professor of business policy since 1979. But he may be best known for his off-campus activities. He is regarded as a marketing strategist of international standing, advising companies and governments worldwide. In the late 1980s he was director of Locate in Scotland, the inward investment bureau at the Scottish Development Agency.

He is already a non-executive director at Shank & McKean, Kwik-Fix, I&S Smaller Companies Trust (managed by Ivory & Sime, the Edinburgh fund manager) and Scottish Development Finance. He is also corporate adviser to Scottish Power.

Hood is a man of great verbal efficiency; he can complete a one-hour interview in little more than 30 minutes. After his stint at Locate in Scotland he was put in charge of reshaping the SDA to prepare for its transition into Scottish Enterprise. Later he made no secret of his doubts about the wisdom of this place of government tinkering, describing Scottish Enterprise in its early stages as "a morass of complexity" full of "tensions and uncertainties".

The man who originally proposed the idea of creating Scottish Enterprise was Bill Hughes, chairman of Grampian Holdings.



## Grabiner moves at Telegraph

Stephen Grabiner, the marketing director of The Telegraph, publisher of the Daily and Sunday Telegraph, has been appointed acting managing director.

His appointment follows the illness of Joe Cooke, 61, the company's managing director. Cooke - a central figure in modernising the modernisation of the Daily Telegraph - is in hospital for tests following a mild stroke at the beginning of last week. In a statement yesterday The Telegraph said that it was too soon to predict when Cooke would be able to return to the office.

As well as being appointed acting managing director, Grabiner, who is 34, has also been elected to the board of The Telegraph. He was first associated with the Daily Telegraph as a Coopers & Lybrand consultant and joined the company as marketing director in October 1986.

Cooke's illness comes at an awkward time for The Telegraph since he has been involved in the efforts to persuade shareholders of the wisdom of buying a stake in Southampton, the Canadian newspaper group.

## Backhouse takes seat at Ipeco

Now that Ipeco founder Allan Johnson has been elevated to the life presidency, his son Christopher, 45, is getting down to transforming a private family business, which specialises in making aircraft seats, into a successful public company.

The recruitment of a new finance director, Chris Backhouse, 36, from Ernst & Young, the company's auditors, is the latest in a number of moves to modernise the Ipeco boardroom. Backhouse replaces John Cook, who resigned in January after 12 years with the company.

Although Ipeco's announcement of marginally lower 1992 pre-tax profits, of £3.3m, is regarded as a reasonable performance in a recession, Johnson acknowledges that his company has not lived up to expectations in the six years since it floated a minority of its shares on the stock market. Its profits have been on a plateau and its share price is still well below the 120p issue price.

One of the problems has been the rather incestuous nature of Ipeco's board, and Johnson turned to Pro Ned, the Bank of England-backed body which helps find independent non-executive directors.

Since the start of the year Ipeco has appointed two new non-executive directors - Julian Bell, former chairman of Rayner Coffee International, and Alan Hornsby, a retired finance director of Smiths Industries.

Johnson is still looking for a new executive director to head the engineering side, the smaller of Ipeco's two core businesses, to complete his four-person executive team. Although he has no immediate plans to split the role of chairman and chief executive, he does not rule it out in a couple of years' time. If the business grows as quickly as he hopes.

## NOTICE OF MEETING

**NOTICE to the holders of outstanding FF 495,000,000 5% Equity Notes Due 2003 of Yves Saint Laurent S.A.**  
Principal payable in ordinary shares of Yves Saint Laurent Groupe

This notice is published in connection with proposals made by Yves Saint Laurent Groupe ("YSL"), Yves Saint Laurent S.A. (the "Issuer") and YSL Sncf ("YSL Sncf") to amend the terms of the above Notes (the "Notes") in the context of the proposed merger (fusion) of YSL, Berlyne Investissements and Yves Saint Laurent Management with ES which will take place following approval by the shareholders of each company given in general meetings to be held at the latest by 17 May 1993. Full details of the fusion and the proposals are contained in an Explanatory Memorandum dated 7 April 1993 (the "Explanatory Memorandum"), copies of which (together with related voting instruction forms) may be obtained from Codel S.A. and Euroclear or any of the Paying Agents (as defined below).

A meeting of Noteholders will be held on 29 April 1993 and, if a quorum is not then present, an adjourned meeting will be held on 14 May 1993, at which an Extraordinary Resolution will be proposed to amend the Notes. The proposals are conditional upon a number of matters as set out in detail in the Explanatory Memorandum. If passed, the Extraordinary Resolution of Noteholders will be binding on all Noteholders and all holders of Coupons relating to the Notes, whether or not present at the relevant meeting or voting on the Resolution.

The proposed amendments to the terms of the Notes provide for the Noteholders to be entitled to be repaid upon redemption of the Notes - the delivery by ES of ordinary shares in ES in those circumstances where the Noteholders would previously have been repaid by the delivery by YSL of ordinary shares in YSL. Such redemption would be at the rate of 1.428 ES shares (as opposed to 1.428 YSL shares) for each FF 1,000 principal amount of Notes.

## NOTICE OF NOTEHOLDERS MEETING

Notice is hereby given to the holders (the "Noteholders") of the outstanding FF 495,000,000 5% Equity Notes Due 2003 (the "Notes") of Yves Saint Laurent S.A. (the "Issuer") the principal of which is repayable in certain circumstances in ordinary shares of Yves Saint Laurent Groupe ("YSL") and which are constituted by the Trust Deed dated 20 November 1987 as amended by a supplemental trust deed dated 14 November 1988 made between the Issuer and The Law Debenture Trust Corporation p.l.c. (the "Trustee") as trustee for the holders of the Notes (the "Noteholders") and by a second supplemental trust deed dated 30 June 1989 made between the Issuer, the Trustee and YSL (together the "Trust Deed"), hereby:

(1) approves (on the terms and subject to the conditions contained in the Explanatory Memorandum dated 7 April 1993 (the "Explanatory Memorandum"), a copy of which has been signed for identification by the Chairman of the Meeting) the fusion of YSL (together with Berlyne Investissements and Yves Saint Laurent Management) with ES Sncf;

(2) amends (subject to the conditions contained in the Explanatory Memorandum) the terms and conditions of the Notes as printed on the reverse of them and in Schedule 1 to the Trust Deed and to the provisions of the Trust Deed, in each case as set out in the draft Third Supplemental Trust Deed produced to this Meeting (a copy of which has been signed for identification by the Chairman of the Meeting);

(3) amends every alteration, modification, compromise or arrangement in respect of the rights of the Noteholders and the holders of the coupons relating to the Notes against the Issuer and YSL (as defined in or resulting from the modifications referred to in paragraph 2 of this Resolution); and

(4) authorises and directs the Trustee to execute in the modifications referred to in paragraph 2 of this Resolution and, in order to give effect to them, forthwith to execute a Third Supplemental Trust Deed in the form of the said draft produced to this Meeting with such amendments (if any) as the Trustee shall require.

The attendance of Noteholders is particularly drawn to the various requirements set out in "Voting and Quorum" below.

Copies of the current Trust Deed (including the current Terms and Conditions of the Notes) and a draft of the Third Supplemental Trust Deed referred to above are available for inspection at the offices of the Paying Agents specified below.

In accordance with its normal practice, the Trustee expresses an opinion on the merits of the proposed resolutions and modifications but has not authorised it to be stated that it has no objection to the Extraordinary Resolution being submitted to the Noteholders for their consideration.

## Voting and Quorum

1. A Noteholder wishing to attend and vote at the Meeting in person must produce at the Meeting either the Note(s), or a valid voting certificate or valid voting certificates issued by a Paying Agent relating to the Note(s), in respect of which he wishes to vote.

A Noteholder not wishing to attend and vote at the Meeting in person may either deliver his Note(s) or voting certificate(s) to the person whom he wishes to attend on his behalf or give voting instructions (on a voting instruction form obtainable from the offices of the Paying Agents specified below) instructing a Paying Agent to appoint a proxy to attend and vote at the Meeting in accordance with his instructions.

Notes may be deposited with any Paying Agent or (to the satisfaction of such Paying Agent) held to its order or under its control by Codel S.A. or Euroclear or any other person approved by it, and after 48 hours before the time appointed for holding the Meeting (or, if applicable, any adjournment of such Meeting), for the purpose of obtaining voting certificates or giving voting instructions in respect of the Meeting. Notes so deposited or held will not be released until the first to occur of the conclusion of the Meeting (or, if applicable, any adjournment of such Meeting) and the surrender of the voting certificate(s). Notes so deposited will be released up until the time that is 48 hours before the time for which the Meeting (or, if applicable, any adjournment of such Meeting) is convened against surrender of the voting instructions (certificates) issued in respect thereof.

2. The quorum required at the Meeting is two or more persons present in person holding Notes or voting certificates or being proxies and holding or representing in aggregate not less than two-thirds in principal amount of the Notes for the time being outstanding (as defined in the Trust Deed). If within 30 minutes from the time appointed for the Meeting a quorum is not present, the Meeting shall stand adjourned to the same time and place on 14 May 1993. At such adjourned Meeting the quorum shall be two or more persons present in person holding Notes or voting certificates or being proxies and holding or representing in the aggregate not less than one-third in principal amount of the Notes for the time being outstanding.

3. Every question submitted to the Meeting will be decided on a show of hands unless a poll is duly demanded by the chairman of the Meeting, the Issuer or by one or more persons holding one or more Notes or voting certificates or being proxies and holding or representing in the aggregate not less than two per cent. In principal amount of the Notes outstanding. On a show of hands every person who is so present in person and produces a Note or voting certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each FF 1,000 principal amount of Notes so produced or represented by the voting certificates so produced or in respect of which he is a proxy.

4. To be passed, the Extraordinary Resolution requires a majority in favour consisting of not less than three-quarters of the votes cast. If passed, the Extraordinary Resolution will be binding on all the Noteholders, whether or not present at such Meeting, and upon all the holders of the coupons pertaining to the Notes.

In accordance with the provisions of the Trust Deed, the form of this notice has been approved by the Trustee.

Yves Saint Laurent S.A.  
Yves Saint Laurent Groupe

**Paying Agents**  
Bankers Trust Company, 1 Appold Street, Broadgate, London EC2A 2BE.  
Banque Internationale à Luxembourg S.A., 2 Boulevard Royal,  
L-2523 Luxembourg.  
Credit Suisse, Fürstendamm 63, CH-8001 Zurich.

The Issuer is a société anonyme incorporated under French law on 15 September 1961, expiring, unless extended, on 15 September 2060.  
Registered Office: 5, avenue Marceau, 75116 Paris.  
Share Capital: FF 500,000,000.  
RCS number: Paris 522 579 301.

YSL is a société en commandite par actions incorporated under French law on 23 July 1982 as a société anonyme, expiring, unless extended, on 23 July 2081.  
Registered Office: 5, avenue Marceau, 75116 Paris.  
Share Capital: FF 300,000,000.  
RCS Number: Paris 824 919 859.

This notice, for which the Issuer and YSL are responsible, has been approved by Waisenberg Perella & Co. Limited, a member of The Securities and Futures Authority, solely for the purposes of section 57 of the Financial Services Act 1986 of the United Kingdom.

7 April 1993

## TENDER NOTICE UK GOVERNMENT ECU TREASURY BILLS

For tender on 13 April 1993

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 1,000 million nominal of UK Government ECU Treasury Bills for tender on a bid-yield basis on Tuesday, 13 April 1993. An additional ECU 50 million nominal of Bills will be allotted directly to the Bank of England.

2. The ECU 1,000 million of Bills to be issued by tender will be dated 15 April 1993 and will be in the following maturities:  
ECU 300 million for maturity on 13 May 1993  
ECU 300 million for maturity on 15 July 1993  
ECU 400 million for maturity on 14 October 1993

3. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Securities Office, Threadneedle Street, London not later than 10.30 a.m., London time, on Tuesday, 13 April 1993. Payment for Bills allotted will be due on Thursday, 15 April 1993.

4. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

5. Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered for.

6. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with Euro-clear or CEDEL, Bills will be credited in the relevant systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at the Securities Office of the Bank of England after 1.30 p.m. on Thursday, 15 April 1993 provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 59005516 with Lloyds Bank Plc, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2HA. Definitive Bills will be available in amounts of ECU 10,000, ECU 50,000, ECU 100,000, ECU 500,000, ECU 1,000,000, ECU 5,000,000 and ECU 10,000,000 nominal.

7. Her Majesty's Treasury reserve the right to reject any or part of any tender.

8. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill programme issued by the Bank of England on behalf of Her Majesty's Treasury on 28 March 1989, and in supplements to the Information Memorandum. All tenders will be subject to the provisions of that Information Memorandum (as supplemented).

9. The ECU 50 million of Bills to be allotted directly to the Bank of England will be for maturity on 14 October 1993. These Bills may be made available through sale and repurchase transactions to the market makers listed in the Information Memorandum (as supplemented) in order to facilitate settlement.

10. Copies of the Information Memorandum (and supplements to it) may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

Bank of England  
6 April 1993

## FT CONFERENCES

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**EUROPEAN SECURITY MARKETS - THE WAY AHEAD  
LONDON, 10 & 11 MAY**

Deregulation of national market-places, abolition of capital controls and development of technology that by-passes rigid market structures, has brought increasing integration of debt and equity markets. This poses challenges for broker-dealers, fund managers and stock exchanges. How will they be affected by these developments and how will they adapt? Speakers include: Mr Peter Baring, Chairman of Barings plc, Mr John Young CBE, Chief Executive of the Securities and Futures Authority, Mr Hainz-Jörgen Schäfer, General Manager of Dresdner Bank AG, Mr Robert Steel, Partner, Goldman Sachs International and Baron van Iltarus, Chairman of the Amsterdam Stock Exchange.

**ASIAN ELECTRICITY  
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This topical conference, arranged in association with Power in Asia, brings together senior representatives from governments, utilities and the financial community to discuss the latest policy positions on privatisation in Asia; consider the financing and structuring of power projects and review future fuel choices in the region. Speakers include: Dr Piyasvasti Amranand, Acting Deputy Secretary General, The National Energy Policy Office, Thailand; Mr K Balarama Reddi, Chairman, Andhra Pradesh State Electricity Board; Mr Daniel Ritchie, Director, Asia Technical Department, The World Bank; Mr Daniel Bettendorff, Vice President & Member of the Board, Companhia de Electricidade de Macau and Mr Kenneth Binning, Director of Government Relations, Rolls-Royce plc.

**NORTH SEA OIL & GAS  
LONDON, 7 & 8 JUNE**

This conference will provide a review of exploration and production activity and consider the importance of North Sea assets to energy companies. The prospects and challenges facing operators and contractors in a mature sector will be discussed and the investment outlook assessed.

All enquiries should be addressed to Financial Times Conference Organisation, 102-108 Clerkenwell Road, London EC1M 5SA. Tel: 071-814 9770 (24-hr answering service) Tel: 27347 FTCONF G, Fax: 071-873 3975 or 071-873 3969.

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Alister McWilliam's engineers at a factory overlooking Bradford, West Yorkshire, have come a long way since 1989. Then it took them 26 weeks from a customer's first inquiry to develop, make, test and deliver a new design of automotive engine piston.

Within two years they had more than halved the "time-to-market" cycle of their company, AEPP Automotive. By the end of 1992 it will have been halved again, from 12 to six weeks. "None of our competitors can touch that," McWilliam claims. "We've taken a leap past the Germans."

That gives AEPP a global lead, since its two main rivals for the supply of pistons to the world's car makers are both German - one with a smaller and declining market share, the other still just ahead of the UK company.

Since Ford, General Motors, Volkswagen, Nissan and the rest are almost all sub-contracting much more piston design and manufacture as they rush to shorten their own "time-to-market" for new cars, AEPP's breakthrough promises a sharp rise in its sales, even before the current automotive slump is over.

In stark contrast with most of British manufacturing industry, that surge is already under way. Last month Bradford's manufacturing team, under director Peter Marchant, brought into operation a fourth high-volume production line to help meet the demand from Opel, the German GM offshoot. As from January, Bradford has been the single-source supplier of pistons for the 1.6 litre engines used in Opel's top-selling models, the Astra and Vectra (Vauxhall Cavalier in Britain). This has involved Opel cutting off its previous German supplier.

Two years ago Bradford installed a similar production line to help meet rising demand from Ford of Europe.

As a result, the value of Bradford's car piston sales is already accelerating - by a projected 16 per cent this year - having stagnated in 1992. A 20 per cent rise is projected for 1994, taking AEPP Automotive's total sales to £72m. With unit prices falling, the surge in volume has been much sharper.

How has Bradford done it? "The main driver of our success has been technology. Ten

Technology has cut the time it takes T&N to fill customer orders, writes Christopher Lorenz

## A boost to rev up the engine

years ago, we wouldn't have got a German auto engineer to even look at us," says McWilliam.

"Now we're seen as offering not just high-quality volume manufacture, but also innovation," says Bob Bates, who last summer took over the top seat at Bradford when McWilliam moved up to head all the piston products of the parent company, T&N.

Their claims are borne out by a senior GM Europe purchasing manager who, from his base at Opel's headquarters outside Frankfurt, was instrumental in taking the single-sourcing decision. "The most interesting thing about T&N, aside from its overall engineering and development capability, is that it's the only group in the world that can do us pistons plus the pins and rings for them," says the executive. "Everyone else can develop and make only one of the three."

Bradford's success is the main factor behind T&N's rise over the past decade from number four in the world piston league to its position close behind the market leader, Mahle. For much of its innovation - in products, in manufacture and in design processes - Bradford must thank its relationship with T&N's corporate research and development centre at Cawston in Warwickshire, 130 miles to the south.

(Cawston's role within the T&N group was examined in the previous article in this series.)

One of the key product innovations to come out of Cawston has been a patented way of reducing friction in bearings, when applied to pistons, it cuts fuel consumption significantly. But McWilliam says that "probably the single most significant factor in changing our stature" - and in slashing Bradford's time to market - has been a computer-based design and analysis process called Rapier (Rapid Analysis of Products by Integrated Engineering Routines).

Developed at Cawston in close collaboration with Bradford, it has been built up steadily to incorporate a string of key features. They include "failure mode effect analysis" which allows engineers to predict problems in both manufacture and product performance and to analyse them before they occur. This has raised design and production quality

sharply and has cut development costs by minimising expensive and time-consuming engine tests. For the past few months, this process has been linked directly into manufacture, through the automated development and production of the machine tool dies needed to make the piston in the factory. Die-making is now organised as part of product engineering, not manufacture.

In parallel with the Cawston-based innovations have come



Alister McWilliam (left) and Peter Marchant: the AEPP breakthrough promises a sharp rise in the company's sales

several generated by Bradford itself, which spends between 6 and 8 per cent of its sales on development. Much of this goes on the application of Cawston's work to specific products and on piston testing, but Bradford has also pioneered new products, manufacturing techniques and even a special aluminium alloy which helps reduce gas emissions from pistons by 10 per cent.

The closeness of Bradford's engineers to their customers was taken a step further last

year with the merger of the previously separate engineering and marketing departments under one director, Brian Ruddy.

He has broken this organisation into a series of "customer focus" teams and task forces. "Putting the different disciplines together is already increasing the engineers' commercial and financial awareness," he says. Production engineers are still organised separately, although for the past year McWilliam says they and Ruddy's staff "have been working hard at simultaneous engineering."

With the exception of Bradford's innovation and speed, Bob Bates stresses that "we're not really 'world class' yet". He has set a two-year target of a 10-fold increase in "right first time" quality, and a 20 per cent rise in total productivity - including capital as well as labour.

As part of this, jobs at Bradford will continue to shrink. A decade ago its labour force totalled 1,570. It is now about 850, the latest cut being 100 people since last November.

Beyond that, Bates says: "We've got a lot of work to do on culture change and organisational effectiveness. We're not here to make products, but money."

This concludes a series on R&D management at T&N. Previous articles appeared on March 12 and 17.



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The Strategy for Managing Change.

## Finding the child inside the manager

People need rewarding. Employees have different characteristics, and should be treated differently. To be understood, be direct. To communicate better, try to understand things from the other person's point of view. The usual tips on how to be a better manager are so blindingly obvious they seem barely worth saying. Yet as most managers seem to disregard such advice most of the time, management trainers can be forgiven for saying the same things over and over again.

One such trainer has developed a slightly new way of getting at the old themes. Abe Wagner, a US psychologist, has adapted the principles of Transactional Analysis - a branch of Gestalt psychology - to management. With a bundle of jargon, concepts and psychological chatter he has wooed many Fortune 500 companies. Now he is hoping to do the same in the UK.

Last week he told executives from the Department of Transport, the HM Prison Service and Freshfields solicitors to let the natural child in them come out. Wagner preaches that each person is made up of six personality states: the natural child, the adult, the nurturing parent, the rebellious child, the compliant child and the critical parent. The first three of these are helpful states for communicating, and can be used to get all needs and wants met. The second three are all unhelpful - we should learn to snap out of these states ourselves and try to get our business associates to do likewise.

Suppose you have just failed to clinch a sale and find yourself angrily musing about the inadequacies of the potential customer, your sales staff etc. You are in "critical parent" mode. The best way of recognising this, says Wagner, is to speak your thoughts out loud, understand which mode you are in and then allow the logical "adult" in you to take over by giving yourself a pep talk.

Suppose you find one of your colleagues stuck in rebellious

child mode - negative, obstructive and working badly. The worst thing you can do is to play the critical parent by criticising. The best way of stimulating the adult or nurturing parent in them is to behave that way yourself. Cynics might argue these ego states obscure rather than elucidate - allowing you to say something in a complicated way that can be more easily stated directly. You do not need to invoke parents or children to conclude that if someone is unhappy, you should try to understand their problem.

Wagner argues that the ego states give a handy frame of reference and suggest subtle strategies for better communication. If an employee is playing the child by refusing to work on Saturdays, it may be better to be the child too, appealing to their emotions rather than their good sense.

How well these ideas will go down in Britain remains to be seen. Wagner notes that many male managers have a general problem in showing emotion and discussing feelings - "they won't let the natural child out". He suspects that British managers are even more buttoned up than most.

"We as managers have a strong tendency to look and sound like parents," says Wagner. Employees tend to encourage this by playing the child, leading to what he calls "co-dependency".

Managers have to really want to change their ways. "The reason managerial courses don't work is that they are usually used to change someone else." If they really want to change, then anything can be achieved, he argues. Behavioural studies in the US have shown that unconscious habits can be changed after 21 days of concerted effort. Conclusions ones can be changed even faster, he says.

If it is really as easy as that, management trainers might shortly find themselves out of a job.

Lucy Kellaway

## MBA numbers on the slide

Has the MBA's surging popularity finally been checked? Preliminary findings from the London-based Association of MBAs suggest the number of students enrolling on UK courses this year has fallen by 10-15 per cent. A clear picture of the underlying trend, though, has yet to emerge.

Roger McCormick, director-general, says the Association has done its "ring round" four times - but is still not satisfied it has "an accurate fix" on what is going on. Business schools can be notoriously secretive with the result that the quality of some of the information may be suspect.

In certain cases the market has clearly collapsed. At one south-east polytechnic, course numbers have fallen from more than 60 to less than 35 in the last two years. But elsewhere there is tentative evidence that administrators may be filling places with poorer-quality candidates than in the past, and that expansion plans

have been shelved. McCormick is wary of concluding that the MBA bubble has burst. He remains impressed by the resilience in a recession of the full-time MBA course - which requires participants to leave a job and raise funds to pay for tuition and lodging - and points out that the setback follows several years of strong growth.

Since sterling's devaluation last September, moreover, UK MBA courses have become more attractive for foreign students who speak good English.

There are 32 MBA courses in the UK, compared with 47 in 1986. Last year, according to the Association, 2,500 students completed full-time courses, 2,500 completed part-time courses, and 700 received their MBA through distance learning. The distance learning numbers will get a boost this year when the first full cohort of MBA students graduates from the Open University.

Tim Dickson



Television / Christopher Dunkley writes to the new BBC2 Controller

# Dear Michael Jackson



Jennifer Saunders and Dawn French as Thelma and Louise: the feminine equivalent of Morecambe and Wise?

Congratulations! You have just been put in charge of the best television channel in the world. When it was announced that you were to succeed your friend Alan Yentob as controller of BBC2, after his move to BBC1, you were too modest and English to put it like that, you said "I believe BBC2 is the best and most interesting channel on British television", which implies that somewhere outside Britain there is one that is even better and more interesting.

I doubt it. In the past 20 years I have taken a careful look at television in the US and Europe and attended lots of international television festivals. There is certainly good work done elsewhere. Some of those pompous politicians who hang on about British television being the best in the world (having watched the breakfast show in a Washington hotel room and *I Love Lucy* late at night in Brussels while hunting for Europe's fabled porn) might be quite surprised if you showed them just how good Swedish television drama tends to be, or American news, or Brazilian soap opera.

But have you ever come across a channel anywhere else with the range of BBC2, from *Red Dwarf* to *The Late Show*, from *Newsnight* to *Playground* where the quality is maintained through so many programme categories? I have not. On Sunday alone BBC2 showed, as the last in a season of "Screen Two" dramas, *The Snapper*, which brought an extraordinarily light touch to the explosive subject of accidental pregnancy in a Dublin family. *Every Picture Tells A Story*, which put as clearly as I have ever heard on television the arguments for and against the radical renovation of old paintings; and in *The Ninesies*, a startlingly passionate and graphic account of the effects of alcoholism before and during the First World War.

I actually thought *The Ninesies* was not quite as impressive as *Labour Of Love*, another series, recently ended, which also went to very old people to hear them bear witness to history while they are still able, this time on the subject of child rearing in the first half of the 20th century. But that was a BBC2 series as well, or anyway an independent series shown by BBC2. Since this is an open letter and the 40 per cent of FT readers who live outside Britain may be thinking that BBC2 sounds like an awfully worthy network but not a lot of fun, I had better point out that it carries some of Britain's best comedy, too.

Last week it showed the last episode in another run of *French And Saunders*, a female double act which, although it arrived as part of the "alternative" comedy boom, is now so

well established, and so funny, that it is not entirely crazy to talk about the possibility of these two young women taking the place of Britain's immortal Morecambe and Wise. If only French and Saunders would put themselves in the hands of a ruthless editor with instructions to banish self-indulgence and pare their over-long sketches to the bone, they really could reach those heights. What is more it was BBC2 that brought us Dawn French's other comedy, *Absolutely Fabulous*, which has quite rightly just won two BAFTA awards; and the same channel again which is about to start another run of the admirably dangerous comic news quiz *Have I Got News For You*.

But this letter is getting bogged down in detail. What I really wanted to do after congratulating you was remind you of the tremendous responsibility now resting upon you. Television

generally is moving down market, not just nationally but internationally. Everywhere public service broadcasters are being forced to compete for audiences and funds and, I suspect, for their very existence against commercial broadcasters who are more concerned with ratings than ever before. In this country we had until recently two "protected" channels where ratings were of less importance than programme quality and originality: BBC2 and Channel 4.

Now, as one of the last gasps of full-blown Thatcherism, Channel 4 has been driven into the market place and obliged to compete for its own slice of the advertising cake. As you might expect with Michael Grade in charge, it is proving a pretty effective competitor and is regularly achieving an audience share of around 12 per cent instead of the 9 to 10 per cent that it used to get. Whatever the peo-

ple at Channel 4 may bravely proclaim about sticking to the famous "remit" to "be different" and "cater for minorities" I think we must expect that Channel 4, at least in peak viewing time, will continue to look more and more like any other conventional commercial channel with game shows (*The Crystal Maze*), soap opera (*Brookside*) and the largest proportion of American imports in British terrestrial television (*The Wonder Years*, *Mork And Mandy*, *The Golden Girls* and soon *The Golden Palace*).

That leaves just you and BBC2 to defend the faith. True, under John Birt the entire BBC is more likely to go for "the Himalaya option" and attempt to regroup on the old high ground than to move further on to the plain to concentrate on fighting ITV and the satellite people for the mass audience. Yet the fact remains that, however novel it may seem to a

man of Alan Yentob's tastes (not smoothly highbrow, more eclectic and modern, but still many miles from the Bill Cotton school which has traditionally run BBC1) he is going to have to maintain a relatively high level of popularity on BBC1 if the corporation is to avoid being pushed to the margins of British broadcasting.

Which is why so much depends upon you. There is now no channel other than BBC2 to which the more demanding viewer can switch, safe in the knowledge that whatever is being shown - cookery programme, arts magazine, documentary series - it will not insult your intelligence. This is not just a form of words. I believe there really is a danger today, thanks to the immense financial forces involved and the steady globalisation of the industry, that television as a whole could become exclusively a mass-appeal tabloid medium. As with tabloid newspapers there would still be good and bad, but, in sharp contrast to the print medium, there would be no independent, no *Guardian*, no *Times*, let alone an *FT*. I will believe all the talk about digital compression providing 500-channel systems with niche marketing and *The Economist* of the airwaves when I see it.

Meanwhile I look to you to go on providing *Newsnight* as the most civilised and rigorous round-up of the day's events, and to open up *The Late Show* to a wider spectrum of attitudes, not, chiefly, in its interviewees but in its presenters. The programme covers most of the right subjects, but often feels more old-fashioned than *Late Night Line Up*. This does not mean "popularity" is in hopes of winning bigger ratings, we have seen such efforts on BBC2 in last year's *Young Musician Of The Year* and in the current *Soundbites* in both of which the essential content - music - has been sacrificed to chat, a desperately retrograde step.

You inherit a tremendously strong foundation on which to build. The history series *Timewatch* and the broadly literary series *Bookmark* turn out some of the BBC's best documentaries these days, and the *Video Diaries* idea of supplying amateurs with cameras to record aspects of their own lives has produced some astounding triumphs. You would have to be crazy to harm any of those. If I were you (and your new job is the only one in television that I would ever volunteer for) I would immediately contract the *After Dark* team to bring to BBC2 the open-ended late-night studio discussion series which Channel 4 was mad enough to scrap. Then I would sit back and think for quite a long time before making any other changes.

Good luck,

Christopher Dunkley

London Theatre

# New Morning



Mary (Gina Moxley) meets Elvira (Stuart Graham)

Go to a play, see people in worse situations than you are, watch them talk out their problems, leave the theatre with hope. Then go home, chat to friends who are in some ways more comfortably situated than you are, listen to their crises and despondencies, go to bed feeling disconsolate. I am amazed at the number of serious new plays that end on some bright or tentatively optimistic note.

Declan Hughes's *New Morning*, the latest new play at the Bush, is a case in point. Two sisters spend the weekend together, camping in the open. They take over their relationship with each other, with their dead parents, with life in general. They are sometimes at loggerheads, and one sister, Mary, fails to respond fully to all the gunge from her subconscious that the night dredges up. But they get from A to at least B, maybe further, and the play ends with them helping each other to pull down the tent that they never slept in anyway. (A problem shared...) And, since the play, by Declan Hughes, is well acted and is often very funny, you can be sure the audience leaves with a smile on its collective face.

My trouble, to be blunt, is that I just didn't believe it. This is partly because I have only limited points of personal contact with two Irish sisters who were raised to know every littlest thing about Elvis Presley, and who remind each other of good yarns from the Old Testament. But then I don't have too much in common with Electra or Macbeth, whose plights I nonetheless follow with interest. Deborah and Mary speak to my condition sufficiently for me to laugh repeatedly at their jokes (mainly Mary's). The problem is that they approach their problems by way of Elvis and the Old Testament.

Deborah is the idealist, Mary the cynic. Ironically, it is Mary to whom a spectral Elvis appears in the night. "You bitch," says Deborah in the morning. "I believe in visions, and you get to see Elvis." Through all this, the sisters raise the unbearably memories of the accident in which their mother died and the unfairness of their father in subsequent years.

There is enough melodrama on the one hand and wise-cracking on the other to keep an audience held. Lynne Parker, directing, yokes together these two contrary elements fluently. Anne Byrne (Deborah) and Gina Moxley (Mary) give flawlessly natural performances, in which the twitch of a mouth, or a momentarily prolonged facial expression can make the audience choke. But Declan Hughes's writing never persuaded me that this was a story I needed to know, or that it would naturally end on so positive a note.

Alastair Macaulay

At the Bush Theatre W12. (081) 743 3388

# Overwhelming sentimentality

It is good to see a lovely theatre full and humming, even if you do not much like the play. So it was at Richmond on Monday for Ivan Meachell's gloomily-sounding, but in fact remarkably cheerful *The Cemetery Club*.

Meachell is the only student of the Yale School of Drama so far to have written a play which moved to Broadway while he was still studying. That was in 1990. *The Cemetery Club* has since been turned into a movie not yet released outside the US. Meanwhile the stage version is touring Britain and if the Richmond reception is anything to go by, is going down a treat.

The style is heavily sentimental Jewish American and the influence of Neil Simon, whose *Lost In Yonkers* is still playing in London, is pervasive. It would not normally be to my taste. Yet there is at least one scene in this production by David Taylor that redeems it all.

Taylor also directs *Lost In Yonkers*. Whether it is his particular understanding of this kind of Jewish humour that makes the show, or the outstanding performances by three actresses, is hard to say. But I doubt if you can see Millicent Martin, Jane Charlton and Judy Cornwell, all of

whom must be slightly over 29, dressed as bridesmaids in little girl blue after having been to a girl friend's unimpeachable wedding, and having drunk too much wine, without feeling a pang of pure pleasure. They command the stage and it would be ludicrous to say which one comes out on top: they support each other.

For the rest, the sentimentality is a little overwhelming. The Cemetery Club is actually a group of widows who go to visit their husband's graves, clear up the leaves, polish the tombstones and talk to their husbands as if they were still alive every month. Meanwhile they think from time to time of finding a new man. The women remain very close even while they bitch.

There is not much more to it but perhaps it is close to the truth. A hardened theatre-goer told me at the interval that not long ago his 80-year-old mother-in-law had met her second husband in very similar circumstances - visiting the burial place of the first.

Malcolm Rutherford

Richmond Theatre. (081) 840 0224 till Saturday, then Peterborough, Woking, Canterbury, Swindon and Wolverhampton.

# Glittering keyboard refinement

London piano recitals

Krystian Zimerman's glittering display of keyboard refinement and control at the Barbican on Sunday was an unqualified delight. Seven years ago at the Edinburgh Festival he gave what remains the finest piano recital I've ever had the good luck to hear. Richter, Michelangeli and Horowitz included; if this programme of Debussy, Chopin and Schubert never quite achieved the same exalted heights, it was still a hugely distinguished occasion, full of subtleties of texture and articulation, keenly focused energy and unfailing musical intelligence.

In Debussy's *Estampes* Zimerman's powers were perfectly matched. "Pagodes" was rendered in glinting, lapping pastels. "Soirée dans Grenade" almost lazily impulsive, its climaxes vivid and intense, "Jardins sous la pluie" made crystalline and taut, without a hint of wispy-weary, like impressionism. Chopin's B minor Sonata was then launched with a similar directness and rhythmic élan, almost evoking memories of Lipatti's legendary recording. Zimerman did not quite manage to sustain the same concentration through the first movement: the devel-

opment section brought the only moment at which his playing seemed to lack a sense of purpose and direction. Even that though was quickly redeemed by a serene unfolding of the slow movement and an ebullient finale, glided by the most exquisite figuration.

Schubert's B flat Sonata D.960 was not conceived on an epic scale, nor would one have expected it to be. Everything was laid out generously - the first movement included the repeat and much beautifully rounded phrase making; the slow movement was nudged forward in a series of carefully sculptured paragraphs; the scherzo offered seamless flows of perfectly purled melody. Yet the finale revealed unexpected moments of sharpened intensity, suggesting an emotional undertow to the whole performance which still needs further performances to mature and well up to the surface.

At the Purcell Room the fol-

lowing evening under the auspices of the Kirckman Concert Society the young British pianist Graham Scott offered an ambitious selection that included Beethoven's Op. 110 Sonata, Berg's Sonata and Chopin's *Polonaise Fantasia*, as well as Franck's *Prelude, Choral and Fugue* and Rakhmaninov's *Correlation Variations*. Scott, who trained at the RNCM, made his Wigmore Hall debut four years ago; he seemed on the evidence of this recital an immensely polished and confident artist. The absolute technical control one quickly took for granted, but each of these performances also had an impressive clarity of purpose and dramatic strength.

There are still moments when Scott rushes his climaxes - the rapid unfolding of the fugue in Op. 110 was marred by a hasty dash towards its climax, parts of the *Polonaise-Fantasia* were unhinged by an outbreak of assertiveness - but those few examples were more

than counterbalanced by the calm distinction of so much of his playing. The way in which he wound down the coda of the Berg sonata, for instance, could never have been learnt by rote; its careful sifting of colours and layers seemed utterly instinctive and appropriate.

Andrew Clements

Ian Fountain offered a curiously short programme at the Queen Elizabeth Hall on Sunday, though he managed to elongate it to near-credibility. He is unmistakably a musician (at nineteen, he won the 1989 Arthur Rubinstein competition); I thought he traded upon that lucky virtue to the limit of indulgence. On Monday at the Wigmore Hall, the young Finn Juhani Lagerspetz delivered three heavy-duty piano works - Schumann's *Carnaval*, Scriabin's 5th Sonata and Beethoven's "Hammerklavier" - with tireless energy, imagination

and dash, and without ever inviting us to admire his own pianism.

We admired it the more, of course. Lagerspetz has all the marks of a committed, inquiring interpreter with a sterling technique, but is much too Finnish to make any overt show of that. By contrast, Fountain drew out his first-half Mozart, a triumph of the C minor Fantasia, K.475, and the Sonata K.457 - with infinite pains. He dwelt lovingly upon every phrase and exquisitely balanced chord, and seemed to be aiming at Debussy's ideal of "a piano without hammers," squeezing the notes tenderly from the instrument.

None of Mozart's quick sections developed any momentum; there were too many delicate hesitations for that, too many phrases that went into a *rallentando* faint. (Some notes simply failed to sound; I wondered what it all sounded like further back in the hall.) After the interval, three of Liszt's

Schubert transcriptions were subjected to the same treatment - even "Aufenthalt!" - and then Schubert's "Wanderer" Fantasy too, its virtuosic drive lost amidst so many sensitive shadings.

It was bracing to hear Lagerspetz the next night: first in a fine, resilient *Carnaval*, tingling with character, but with sentiment kept firmly in check. His Scriabin was better still - flashing attack, contrasts brilliantly engineered, a complete command of the idiom and of the intricate form of the work.

Lagerspetz's "Hammerklavier" Sonata was a triumph. I have never heard it so vitally realised by a performer of his years. He took the opening Allegro at an intrepid pace, perfectly sustained with no loss of detail, and rounded the work off with a fugue of splendour and transparency and pith. It was the great Adagio sostenuto, however, that made the greatest impression; he unfolded it very beautifully, with steady, searching, self-facing authority. It was a full-blooded "public" performance, certainly - but it lost nothing whatever by that.

David Murray

INTERNATIONAL

ARTS

GUIDE

## ATHENS

Concert Hall Tonight: Gewandhaus Quartet plays works by Haydn, Mendelssohn and Dvorak. Tomorrow: La Camerata Orchestra plays works by Rossini, Pärt and Dvorak. Fri and next Wed: Athens State Orchestra. Sun: Mikis Theodorakis conducts ERT National Symphony Orchestra and Chorus in his Third Symphony. Next Tues: Fons Musicale choral ensemble in works by Bach, Mendelssohn and others (722 5511).

## BONN

Oper Valery Panov's new production of Prokofiev's ballet *Romeo and Juliet* is premiered on Sun, with further performances on April 14, 18, 20, 23, 26. This month's opera repertoire consists of a new production of Puccini's *Trifolito* (tonight and Mon), Der Freischütz (Sat and Tues) and Otello (773667). Beethovenhalle Tomorrow and Fri: Michael Schoenwandt conducts Orchestra of the Beethovenhalle and Bonn Philharmonic Chorus in

Bach's St John Passion, with soloists including Robert Gambill and Thomas Mohr (773666).

## COLOGNE

Philharmonie Tomorrow: Peter Schreier conducts Bach's Matthew Passion. Fri: Krzysztof Penderecki conducts his St Luke's Passion. Sat, Sun, Mon: Ballet Teatro Espanol. Tues: Bernard Haitink conducts European Community Youth Orchestra in Mahler's Ninth Symphony (2501). Opernhaus Tomorrow: Zar and Zimmermann. Thurs, Sat, next Wed: Rossini double bill. Fri: James Conlon conducts Lohengrin, with Eva Johansson, Gary Lakes and Sergey Leifarkus. Sun, next Thurs and Sun: Conlon conducts Liviu Chulea's new production of Così fan tutte. Next Mon and Fri: Billy Budd (221 8400).

## COPENHAGEN

Royal Theatre Tonight: La nozze di Figaro. Next Tues: Drot og Marsk. Danish historical opera composed by Peter Heise in 1878. Next Wed, Thurs, Sat: Neumeier production of Prokofiev's ballet *Romeo and Juliet* (3314 1002).

## DRESDEN

Semperoper Tonight: *Ariadne auf Naxos*. Tomorrow and next Wed: ballet mixed bill. Fri and Sun: Christoph Prick conducts Theo Adam's production of Persifal, with Klaus König, Bernd Weik and Marilyn Schmitz. Sat: one-act operas by Zemlin and Dallapiccola. Mon: Die Zauberflöte

(484 2731). Kulturpalast Sat evening, Sun morning: Tamas Vassary conducts Dresden Philharmonic Orchestra in works by Prokofiev, Mozart and Mendelssohn, with piano soloist Hélène Grimaud (486 6306).

## DUISBURG

Deutsche Oper am Rhein Tonight: Arthur Reinwald's Kafka opera Das Schloss. Tomorrow: Tosca. Sat, Sun, Mon: Les Contes d'Hoffmann (211-8908 211). Duisburg Theatre has a concert performance of a Puritani tonight, Salome tomorrow, Don Carlo on Fri and Zar und Zimmermann on Sun (203-3009 100). Schauspielhaus Tonight, Sat and Sun (Kleines Haus): Maxim Gorki's Summer Guests, new production directed by David Mouchtar-Samoral. Tonight, Sat and Sun (Grosses Haus): Brecht's Mr Puntila directed by Hansjörg Utzerath. Tomorrow and next Wed: Shakespeare's A Midsummer Night's Dream. Fri: Böchner's Leonore and Lena. Tues: Gorki's Vassa Shelesnova (211-162200/211-369911).

## FRANKFURT

Alte Oper Tonight, Sat, Sun, next Mon, Tues, Wed, Thurs: West Side Story. Tomorrow, Fri: Jesus Christ Superstar. April 15, 17: Kirov Opera (1340 400). Opernhaus Fri, Sun: Ekkehard Klock conducts Werner Schroeter's production of Lady Macbeth of Mtsensk, with Kristine Cieselski. Sat: first night of new production of Cimarosa's Il matrimonio segreto,

repeated next Mon and Fri (236061). Schauspielhaus Tonight, Sat: Frankfurt Ballet in Forsythe's Umba Theorem. Tomorrow and next Wed: Shakespeare's Othello. Fri and Mon: Sophocles' Antigone. Sun: Shakespeare's A Merchant of Venice (2123 7444).

## LYON

Auditorium Maurice Ravel Fri and Sat: Woldemar Nelsson conducts Orchestre National de Lyon in Mahler's Kindertotenlieder (José van Dam) and Fifth Symphony (7880 3713).

## HAMBURG

Staatsoper Tonight: Gerd Albrecht conducts Günter Krämer's staging of Das Rheingold, with Hartmut Weiker and Horst Hiestermann. Tomorrow and Sat: John Neumeier's choreography to Mahler's Third Symphony. Fri: Die Walküre with Gabriele Schnaut and Simon Estes. Sun: Der Rosenkavalier with Anna Tomowa-Sintow and Jeanne Pilard. Mon: Siegfried with Schnaut and Heinz Kruse. Tues: Neumeier's ballet A Midsummer Night's Dream. Next Wed: Otello (351721). Musikhalle Tonight: Hamburg Symphony Orchestra. Tomorrow: Nina Simone. Fri: Göttingen Symphony Orchestra. Next Tues: Margaret Price song recital (354414). Deutsches Schauspielhaus Tonight: Königslut, Augusto Fernandes' adaptation of Ibsen's Pretenders. Tomorrow: Thomas Bernhard's Die Macht der Gewohnheit. Fri: Gorki's Vassa Shelesnova. Sat and Tues: Der kleine Faust, opera buffe. Sun and

next Wed: Feydeau's A Flea in Her Ear. Mon: Arthur Miller's Death of a Salesman (248713). Thalia Theatre Tonight and Fri: Ariel Dorfman's moral thriller Death and the Maiden. Tomorrow: first night of new production of Schiller's Kabale und Liebe, repeated Tues. Next Wed, Thurs, Fri: Bob Wilson's Black Rider (322666).

## LEIPZIG

Gewandhaus Tonight: Kurt Masur conducts New York Philharmonic Orchestra in works by Barber, Bright Sheng and Dvorak. Tomorrow and Fri: Georg Christoph Briller conducts Gewandhaus Orchestra and Thomanechor in Bach's St John Passion. Sun: Daniel Nazareth conducts MDR Symphony Orchestra in popular works by Elgar, Chabrier, Offenbach, Sibelius, Smetana and others. Mon: Peter Schreier song recital (7132 280).

## MUNICH

Gastspiel Tonight: Roger Whittaker. Tomorrow: Hans-Martin Schneidt conducts Munich Bach Chorus and Orchestra in Bach's Matthew Passion. Sat: Enoch zu Guttenberg conducts Munich Bach Collegium in Matthew Passion (4808 8614). Herkulessaal der Residenz Tomorrow, Sun, next Wed: Marek Janowski conducts Bavarian State Opera concert performance of Parsifal, with Siegfried Jerusalem, Jan-Hendrik Rooting, Wolfgang Brendel and Waltraud Meier (221316). Prinzregententheater Sat and Mon: new Bavarian State Opera production of Schoenberg's Pierrot

Lunaire and Busoni's Arlecchino. Repeated April 15, 16, 18 (221316). Cuvillies-Theater Mon: Peter Schneider conducts revival of Theo Adam's production of Capriccio, with Pamela Cooper. Repeated April 15, 17, 20, 22, 24 (221316). A selection of theatre and concert tickets is available at Konzertkasse Back on the fourth floor of the Back department store at Marienplatz 11.

## STOCKHOLM

Royal Opera Tonight: Kirov Ballet. Tomorrow, Sat, next Tues: Sören Ehrling conducts Ann-Margret Pettersson's production of Pelléas et Mélisande (248240).

## OPERA

The repertoire at the Staatstheater consists of *Un ballo in maschera* tonight with a cast headed by Michelle Crider, Eva Randova and Wolfgang Schoene, Così fan tutte tomorrow and next Wed conducted by Alan Hacker, Tannhäuser on Fri and Mon with Ellen Shade, Toni Krämer and Manfred Schenk, and a Stuttgart Ballet triple bill on Sat, with choreographies by Zanello and Béjart. Sun: Janos Kulka conducts a Wagner concert with soloists including Eva Randova (221795).

## THEATRE

A new production of Glaube Liebe Hoffnung by early 20th century German dramatist Odon von Horvath opens on Fri at Kleines Haus, directed by Wolf-Dietrich Sprenger. The repertoire at Theater im Depot includes Shout Across the River by British playwright Stephen Pollakoff (221795).

## European Cable and Satellite Business TV

(All times are Central European Time)  
MONDAY TO THURSDAY  
Super Channel: European Business Today 0730; 2230  
Monday Super Channel: West of Moscow 1230, Sunday Super Channel: Financial Times Reports 0630  
Wednesday Super Channel: Financial Times Reports 2130  
Thursday Sky News: Financial Times Reports 2030; 0130  
Friday Super Channel: European Business Today 0730; 2230  
Sky News: Financial Times Reports 0530  
Saturday Super Channel: Financial Times Reports 0930  
Sky News: West of Moscow 1130; 2230  
Sunday Super Channel: West of Moscow 1830  
Super Channel: Financial Times Reports 1900  
Sky News: West of Moscow 0230, 0530  
Sky News: Financial Times Reports 1330; 2030

## Arts Guide

Monday: Berlin, New York and Paris.  
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.  
Wednesday: France, Germany, Scandinavia.  
Thursday: Italy, Spain, Athens, London, Prague.  
Friday: Exhibitions Guide.



## Edward Mortimer



Formal negotiations on Norway's application for membership of the European Community began in Luxembourg on Monday.

Actually that is not quite right. Norway, along with the other three applicants from the European Free Trade Association (Austria, Finland, Sweden), was told that it must accept the Maastricht treaty. That means that they are negotiating to join, not just the EC, but the future European Union (EU).

That assumes, of course, that Denmark and the UK will actually ratify Maastricht. If either of them fails to, the treaty is null and void and the EU non-existent. There would then be a period of confusion, from which would emerge - probably quite quickly - two parallel efforts to replace Maastricht with something else.

One would be made by an inner group or "hard core" of countries determined to salvage the essential features of Maastricht and apply them among themselves even if some EC members do not participate - following the model of the Schengen treaty on removal of internal borders, to which all EC members except Britain, Ireland and Denmark are now signatories.

The other would be a more modest attempt by all Community members to salvage a mini-Maastricht, consisting of only those elements which could be generally accepted as both valuable in themselves and non-threatening to state sovereignty.

Negotiations with the applicant countries would in any case proceed, since they would still want EC membership. Obviously Maastricht could no longer be presented to them as part of the *acquis* that they are required to accept as a precondition. Nor could membership of the "hard core". In theory, it would be possible for the 12 to negotiate the mini-Maastricht among themselves and then introduce it as an *acquis* into the negotiations with the applicants. But it would make a lot more sense to include the applicants in the discussion from the start.

Similar considerations apply if Maastricht is ratified and the EU does come into existence, presumably by the end of this year. If negotiations with the

## Truly, widely, deeply

### A more federal Europe could lead to greater individual freedom

applicants go smoothly their accession to the EU should be ratified next year, in which case they would be full members in time to join the Maastricht revision conference scheduled for 1996. But even if that timetable slips, it would be stupid for the existing members to negotiate revisions to the treaty in the absence of the new members, to whom those revisions would have to apply - especially as one of the main reasons for revising the treaty will be the need to adapt it to an EU of 16 members.

British ministers and officials view the revision process with considerable apprehension. They dread being asked to administer new doses of "federalism" to a British body politic which is clearly allergic to them, especially if (as is likely) the conference coincides with the next general election campaign. I have argued, and still believe, that one way to avoid a repetition of the Maastricht nightmare is to entrust the revision to an elected constituent assembly, instead of another intergovernmental conference.

It is equally important to think more clearly about what sort of constitution Europe actually needs. British officials warn that "Maastricht is the maximum that is conceptually possible", and that "widening must not be made the excuse for further deepening". But the word "deepening" can mean two very different

things. If it means giving the EC, or the EU, new areas of competence, then indeed it should be resisted. If anything a union with more members should confine itself to fewer areas of competence - those in which a genuine common interest can be discerned and in which one member state by itself may not be able to take effective action.

But if "deepening" means giving more power to the union's central organs so that it can act decisively and effectively in areas where joint action is agreed to be necessary, then indeed a wider union does need also to be a deeper one. Otherwise it will be paralysed by the endless search for consensus among 16 governments.

Similarly the word "federalism" needs to be demystified. Many people in Britain seem to assume that a federal European authority would diminish their freedom, acting in an arbitrary and undemocratic way. But actually that is much truer of intergovernmental procedures, when national ministers meet to take decisions behind closed doors, with the accountability of each to his national parliament being diluted both by secrecy and by the need to agree with (or be outvoted by) his colleagues from other countries.

By contrast, federalism makes the central executive accountable to a federal parliament; and by distributing power among different levels of government it makes its arbitrary use much more difficult.

By appealing to a federal constitution, states can resist central encroachment on their powers; but individuals or local authorities can also appeal at the federal level against arbitrary action by the states; and a federal supreme court is there to decide who has the constitution on their side in each case.

All this also makes for greater transparency, as each level of government has to publish and defend its decisions. Instead of everything being sorted out within a hierarchy of officials answerable only to those above them.

It is high time someone explained to the British people that a "deeper", more federal Europe could actually meddle in fewer aspects of their everyday lives than the present model, and yet secure a net increase in their individual freedom.

The virus that causes Aids, HIV, is the most intensively studied microbe in history. Worldwide spending of about \$2bn a year on Aids research has produced extraordinary knowledge of HIV but no effective treatment for the infection, as the disappointing outcome of an international trial of the leading Aids drug AZT showed last week.

However, with 12m people worldwide estimated to be HIV-positive and the total direct and indirect costs of the disease running at \$80bn a year, government health agencies and the pharmaceutical industry say there will be no let-up in their research effort.

The virus is deceptively simple; it has a genetic blueprint of just nine genes (compared with 100,000 in man) producing 15 proteins. Scientists now know the precise chemical sequence of all the genes and proteins, yet they cannot develop a selective drug to jam the vital processes of HIV without devastating the cells it infects.

Aids researchers face two fundamental problems. First, HIV mutates more quickly than any other microbe known; there are countless different strains, and within each patient the virus changes character as the disease progresses. Therefore drug-resistant forms can evolve very fast.

The second problem is that, although the chemistry of the virus itself is simple and well understood, scientists are still baffled by the extremely complex process through which HIV infects human cells and then, several years later, destroys the immune system.

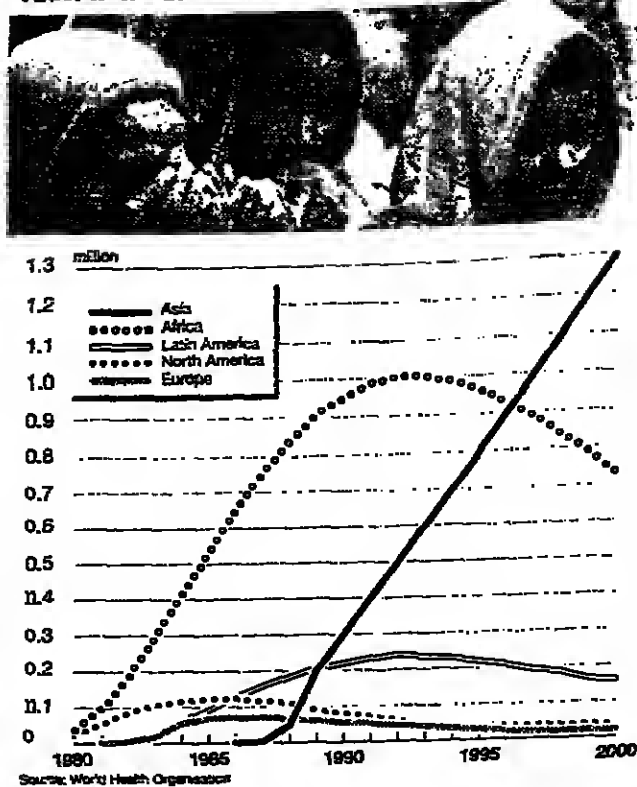
One particularly puzzling feature of Aids is that patients have very low levels of the virus in comparison to other infectious diseases. Indeed HIV may not actually "infect" most of the cells it kills; it may somehow set off a cascade of "cell suicide" similar to an accelerated ageing process.

AZT was rushed through the approvals process and onto the market in 2½ years - a record for any drug - after Wellcome researchers discovered its activity against the newly discovered HIV in 1984. It can prolong the lives of patients with full-scale Aids by several months, but clinical trials show that the benefits wear off with time. As the Anglo-French Concorde study concluded last week, after three years, people with HIV taking AZT had just as many Aids symptoms as those on an inactive placebo.

# A setback, but the search goes on

Disappointments over AZT are unlikely to slow research into Aids treatments, says Clive Cookson

Aids: new adult HIV infections each year



HIV drug development - and two more, Glaxo's 3TC and Bristol-Myers Squibb's DDT, are beginning large-scale clinical trials.

Therapeutic vaccines are an example. They are designed not to prevent infection like a conventional vaccine but to boost the immune defences of people who are already HIV-positive.

British Biotechnology recently started clinical trials of one such product called p24-VLP. This includes multiple copies of an HIV core protein, packaged in a virus-like particle made by genetically engineered yeast cells.

Genetic attacks on HIV are a somewhat more distant prospect. But some US biotechnology companies are planning to put anti-viral genes into the blood cells of Aids patients, and others want to use so-called anti-sense technology to deactivate the virus by blocking its genes.

Although nucleoside analogues are in the forefront of

research, they are unlikely to slow research into Aids treatments, says Clive Cookson

Doctors such as Professor Anthony Fauci of St Bart's Hospital, London, say they are impressed by the way the pharmaceutical industry continues to pour several hundred million dollars a year into Aids research and development, even though patient activists have directed a long campaign against Wellcome, the only manufacturer to have made money out of an anti-HIV drug, for allegedly profiteering at their expense.

Indeed Dr Richard Sykes, chief executive of Glaxo, says his company is devoting more resources to Aids R&D than the likely return from successful products would justify according to normal commercial criteria. "I don't see any cut-throat competition in drug development in the Aids area," he says. "No one is going to make much money from this but we need to show that the pharmaceutical industry can produce the goods when it needs to."

The scientific credibility of any large drug company would be at stake if it pulled out of such an important field. The argument that Aids is a special case may not appeal to someone dying of another incurable illness, but it may be reasonable to devote a disproportionate share of pharmaceutical R&D funds to Aids because it poses an incalculable threat for the future which makes it genuinely different from the established killer diseases.

"The virus is relatively innocuous at the moment because it does not transmit very easily," Dr Kingsman says. "But what if it became more robust and was transmitted like 'flu'? The risk of that nightmare scenario coming true may be remote but with such a fast-mutating organism as HIV it cannot be dismissed entirely."

Assuming that HIV does not change significantly in the near future - and is spread only by sexual contact, blood or maternal transmission - forecasts of the number of people infected in the year 2000 vary from the World Health Organisation's conservative 30m-40m up to 120m.

The latest WHO estimates of the number of new infections each year (see chart) show peaks in the mid-1980s in Europe and North America and in the early 1990s in Africa and Latin America - though the long delay between infection and disease means that actual Aids cases will continue rising in these regions into the next century. The most frightening picture is for Asia, where the number of new HIV-positives is expected to go on increasing until about 2010.

The total worldwide cost of Aids is probably running at about \$10bn a year for direct treatment, prevention and research and \$80bn indirectly from loss of earnings.

Figures such as these are helping to persuade governments to increase spending on Aids research - and to ignore the small group insisting that the threat from the disease has been grossly exaggerated by a medical establishment eager to outpace a worldwide "Aids industry". The Clinton administration is leading the way with plans to set up a strengthened Office of Aids Research with a \$1bn annual budget.

If that level of commitment is maintained, researchers should eventually translate the scientific understanding of HIV into treatments that work far better than AZT.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### Don't shoot the economic modellers

From Mr Jeremy Bray MP.

Sir, Your report ("Treasury economic model may be run by US group", April 6) that "a key element" of preparing the Treasury's forecast could be contracted out to DRI, the American economic forecasting company, does not specify what that element might be. The implication, however, is that the element in question is the maintenance of the Treasury model.

Under the Industry Act 1975, the Treasury is required to "keep an economic model". This is not a "secretive process", as you say; under the requirements of the act, the

model is publicly available. It is used by outside forecasters, and is independently tested and compared with the other main economic models by the Warwick University Macroeconomic Modelling Bureau.

Furthermore, the model clearly pointed to the need for continuing increases in interest rates, as well as tax increases, following the stock exchange crash in 1987, instead of the folly which has cost us so dear.

Despite ill-informed press criticism, economic modelling practices in the UK are in most respects technically well ahead of those in the US. The econo-

metric modelling methods developed by Professor David Hendry of Nuffield College, Oxford, are used by the Federal Reserve Board, which within the US is more advanced than DRI.

The chancellor of the exchequer wrote to me on March 3 saying that "there are no plans for the Treasury to give up economic forecasting". Although using models built by others is better than nothing, it is no substitute for an organisation maintaining its own model. Without that there is no way of judging the weight of evidence behind the particular assumptions made.

For example, currently the Treasury model is doggedly sticking to its finding that there has been no improvement in the underlying trend of Britain's exports of manufactures, although the National Institute of Economic and Social Research found a reversal of trend, which it has now rationalised by a shift in the composition of export markets towards faster growing sectors.

The chancellor can ignore the evidence of his own career officials, but he would be silly to shoot the modellers. Jeremy Bray, House of Commons, London SW1A 0AA

### Failure to deliver what Russians most require

From Elizabeth Jones.

Sir, Once again a big new effort is to be made to give aid to Russia. The problem surely is that it is not promises of aid which have been wanted, it is the delivery which is at fault.

According to the European Community's court of auditors, the Community, for example, voted aid of Ecu\$35m (\$588m) for 1991; a further Ecu1.75bn (£1.44bn) was voted in loans and guarantees. Yet by December 31 1992, none of this money had been paid out.

According to a senior official in the EC unit dealing with Russia aid, the unit prefers to work with non-profit-making bodies such as academic institutions and charities. This is fine for developing capitalist theories of government, but it is scarcely going to produce the working free-market economy which the west wants and the Russian government needs.

I am a non-executive director of a company which has had a technical assistance agreement with a former Russian ministry for 18 months. We have been told that our Russian partners are not entitled to aid from the EC with which to purchase this technical assistance because their sphere of activity "does not fit" the categories chosen by the EC for aid, despite the fact that one of the categories is human resources training.

The Russians are attempting to find work outside Russia with which to earn much-needed foreign currency. The

ministry has (or had) a highly-skilled workforce of 800,000, is this really the best the Community can do? Elizabeth Jones, 9 The Terraces, Garner St, London E2 8AQ

From Mr Jonathan Morris

Sir, I recently started a company in London with a representative office in Moscow. My Russian contacts are desperate to buy all kinds of fast-moving consumer goods for immediate export to the Commonwealth of Independent States. I have been contacting many hi-tech companies, in the UK and overseas, in order to obtain quotes for their products.

I have evidently mistakenly assumed that during a time of recession in many parts of the world, companies would be bending over backwards to sell their goods to whichever country wanted them. This apparently is not so. A small proportion of the companies I contacted took more than a week to respond, despite my requests for a prompt reply; most did not even bother to respond at all.

What does one have to do to increase this country's export potential, or at least boost the order books of businesses which claim to be suffering from recession. Jonathan Morris, The Free Trade Corp, 25 Orchard Rise, Kingston, Surrey KT2 7EY

### Tecs provide special programmes for women

From Diana McMahon.

Joanna Foster's comment (Letters, April 3) is welcome since your article "BOC says women overlooked by Tec" (March 31) did not reflect my own experience at the local level, or that of other training and enterprise councils.

In Bedfordshire, in addition to all the normal programmes available for women, we run six initiatives to tackle the barriers experienced by women who want to train, start a business or return to employment. An example is the Tec's Out of School Clubs programme which is now being expanded with funds from the secretary of state's Children's Initiative to make it easier for parents, particularly women, to have choice of work and training opportunities.

We are just one Tec; I know personally of some 12 others

providing special opportunities for women and there are many more reported in local Tec newsletters.

However, the issue of the severely retreating workforce, the consequences of recession, is real and has certainly had an adverse effect on women's prospects. Tec's continue to work with employers and all members of the workforce - particularly those disadvantaged in the community - to overcome these difficulties. Since women represent almost half of the workforce they receive a great deal of attention in Bedfordshire - and throughout the Tec network. Diana McMahon, chief executive, Bedfordshire Training & Enterprise Council, 2 Railton Road, Kempston, Bedfordshire

### The tough nuts to crack

From Mr Paul Martin.

Sir, Christopher Lorenz's article (Management, April 2), alluded to organisational re-engineering as a "cure-all" for business performance. That is patently not within the realities of executive life.

The consultancy sales pressure on the re-engineering/design topic is real, but the sales pitch and follow-up proposal are often the best bits. Delivery of measurable business benefits is often illusory. The nut to be cracked is not

## Memo

FROM: CHAIRMAN  
TO: FINANCIAL DIRECTOR  
RE: OUR MANAGEMENT INFORMATION PROBLEM

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John

CHAIRMAN

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Peter

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# FINANCIAL TIMES

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Wednesday April 7 1993

## Labour and industry

**THE STRIKING** feature of Labour's latest attempt to develop an industrial policy is not that it looks like yet another retreat into the nostrums of the 1960s. Rather, it is that the emphasis on manufacturing is no longer an exclusive Labour preoccupation. Much in this new draft could have been written without a blush by members of John Major's government. More could have been written by leading luminaries in the administration of Mr Bill Clinton. But the mere fact that the spirit of the times seems to have moved closer to Labour rather than vice versa is something less than an overwhelming commendation for a mixed bag of policy proposals.

The convergence of political interest in manufacturing is, of course, no coincidence. With the country running a huge trade deficit in the depths of recession, the case for shifting resources into manufacturing is easily made. But to jump from there into the technological nationalism espoused by some of Mr Clinton's economic advisers is more contentious.

The evidence, such as it is, suggests that success in high-technology industries is a result of general economic success, not the other way around. While the Japanese have demonstrated increasing technological sophistication in generating their economic miracle, their high-growth rates have had more to do with good macro-economic management and a culture that values such things as saving, education and harmonious labour relations, than with any

obsession with technology. Labour is nonetheless clearly tempted by a reform of corporate governance that would take Britain closer to systems such as the Japanese or German, which recognise government, employees, creditors and others as having a stake in the business. But most of British management remains anti-pathetic. Legislating for employees in the boardroom is thus not practical politics.

And while Labour has interesting ideas on such things as the structure of the financial system, investment incentives and the operations of the bankruptcy laws, it is not clear that these and other components of industrial policy are central to addressing Britain's competitiveness problem.

The country's structural trade deficit is very largely a reflection of inadequate investment in the production of tradeable goods and services, itself largely explained by stop-go policies and consistently low profitability. What is needed is to constrain the growth of real wages and stimulate higher savings and investment.

It is questionable, however, whether Labour, any more than the Tories, would be willing to forego the customary pre-electoral boost to wages and reduction in private savings that deliver votes, but at the cost of swelling the trade deficit and restarting the stop-go cycle. It is here, not in technological mercantilism, that the miracle economies of the east have the most valuable lessons to impart.

## Nigeria in crisis

**IN THE FIELD** of economic mismanagement, Nigeria is in a class of its own. Billions of dollars earned during the 1970s oil boom have been squandered on white elephants and kickbacks. An economic reform plan, introduced by President Ibrahim Babangida in 1986, collapsed within three years. Since then frequent promises to do better have not been kept. In short, calling for help for Nigeria seems akin to supporting parole for a notorious recidivist.

Yet the case for supporting economic reform in Nigeria is stronger today than ever, despite this dismal track record. Burdened by debts and accelerating inflation, and nearing the end of a flawed transition to civilian rule which encourages the short-term instincts of the presidential candidates in June's election, there is a risk that Nigeria will experience a Kenyan-style swing to economic populism or worse. The oil and gas sector might still flourish; but export receipts would be siphoned abroad as the impoverished hinterland deteriorated further.

The west might feel able to look on with equanimity in the short term. Arrears on the country's \$30bn external debt are mounting; but capital flow is in the creditors' favour. Their advice to Nigeria is straightforward: proceed with the June election, but forget the idea of concessional debt anytime soon.

Yet a longer term perspective demands an urgent search for a fresh approach. Ten years of deepening austerity have exacted a heavy toll on Nigeria. Sooner or

later, the strains will become intolerable, risking the destabilisation of the entire west African region in the process. A surge in Moslem extremism, lying not far below the surface in Nigeria, and a rise in emigration to southern Europe are two likely consequences. The UN initiative in Somalia has already cost \$1.5bn; the cost of restoring order in west Africa would be incalculable.

Creditors must grasp what may be a last opportunity to persuade Nigeria's leaders that economic reform makes sense. Of course, the creditors cannot offer debt relief unless they are convinced that the budget deficit is under control - the principle of an IMF deal as a pre-condition for relief should remain inviolate. But the IMF should use this month's visit to Nigeria to draw up a "shadow" reform programme, with the reform-minded transitional council. The elected government can then inherit this programme at the August hand-over.

In return the Paris Club creditors should pledge that staged debt relief will commence as soon as the budget is under control. Conditions should include external monitoring of the central bank and important ministries to ensure transparent accounting of incoming revenues and spending.

Only then might the west persuade both the military leadership and the new civilian president to put prudence before populism. It may not succeed. But it would be better than simply waiting for Nigeria's disaster to happen.

## ITV tangle

**FROM ONE** point of view, yesterday's report by the Monopolies and Mergers Commission on Channel 3 networking arrangements is an elegant solution to an intractable dispute over the operation of Britain's reorganised independent television system. From a longer-term perspective, however, the exercise smells unmistakably of fudge.

The MMC's achievement has been to find a formula for bringing the contractual arrangements between the newly franchised ITV companies and independent producers into line with competition law, while managing also to leave both sides claiming victory. Yet it has done so only by devising an elaborate and provisional compromise. The MMC itself is unsure how well it will work, arguing that it would be unwise to impose rigid prescriptions on an untried broadcasting regime. Indeed, the MMC explicitly recognises that the Office of Fair Trading, which will monitor the arrangements, may be required to intervene again in the future.

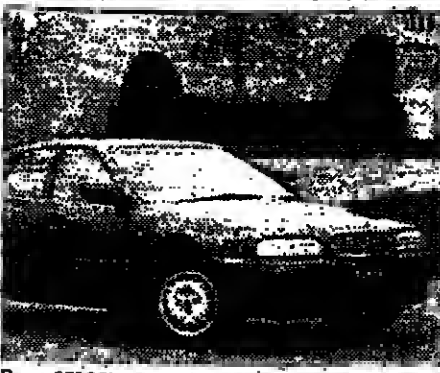
In the circumstances, the MMC has probably done about as much as it reasonably could. Its remit extends simply to the specific competition issues raised by the contractual arrangements between independent programme makers and broadcasters. However, that dispute is a reflection of strains caused by deep contradictions and uncertainties in government policy towards broadcasting. In drawing up the ITV franchis-

ing regime, the Thatcher administration set two main objectives. One was to create a vigorous independent production sector. It now appears that insufficient thought was given to creating market conditions in which independent programme makers could gain net access while earning returns adequate to attract outside capital. That shortcoming stems in part from confusion about the second objective - making the ITV system more commercial by exposing it to market forces. The new franchise system has undoubtedly put pressure on the ITV companies to cut costs. However, the policy stopped well short of driving competition to its logical conclusion.

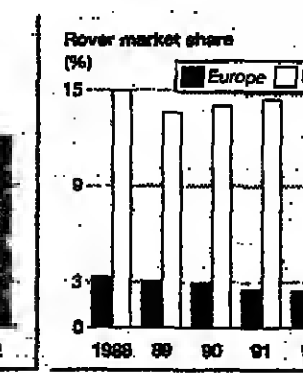
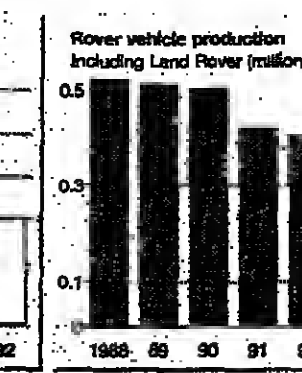
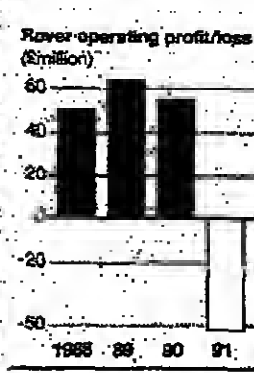
The ITV companies are supposed to behave like commercial animals. Yet they inhabit an environment which retains many of the paternalistic features of the old system. They are subject to necessarily subjective quality standards. Their ownership structure is hemmed in by restrictions on cross-ownership and merger, which also inhibit the development of a UK television industry able to compete internationally.

In the longer term, competition from satellite and cable broadcasters - which are subject to none of these conditions - is likely to subject the system to overwhelming pressures for change. In the meantime, its internal contradictions threaten to produce further strains and conflicts, to which the intervention of competition authorities can offer, at best, only a partial solution.

### 'Roverisation': the key to survival



Rover 600GSI



Honda Accord 2.0

Co-operation with Honda and upmarket models are the route to profits for the UK car maker, says Kevin Done

## Road map to the Rover's return

has shown little inclination to raise the bidding.

"If BAE wished to sell Rover Group in the future, then we would have to review the situation," says a Honda spokesman. "It would be difficult to continue the sharing of technology and designs if it was sold to another manufacturer."

For Rover the relationship with Honda, now in its 14th year, has spelled survival. Rover's existing 200/400 small family car and 800 executive ranges were the result of collaborative projects with Honda. The two companies are currently at an advanced stage in negotiating their next important co-operative venture, the development of a new small car that would replace Rover's Metro in the mid-1990s.

With the loss of the 600, Rover is dependent on Honda technology for three of its four main car ranges, and it is doubtful whether it has the resources to develop an all-new mainstream car programme on its own. According to Mr John Towers, Rover Group managing director, the UK company accounted for about 15 per cent of the engineering hours in the series 600 project, in which it has invested around £200m. He claims the joint programme has saved Rover about £150m in development costs.

"If we were going alone we would have had higher variable costs. We would have had to push up volumes, which would have meant higher marketing costs. Everybody is getting into the car business not because it's fashionable but because it makes economic sense."

Crucially, however, the Honda link has left Rover with the independence to pursue its own strategies based on Honda chassis platforms. In particular, the Rover 200/400 - the sister car of the Honda Concerto - has spawned a host of derivatives developed exclusively by Rover. These include coupé, cabriolet and diesel models.

The benefits of the relationship with Honda go beyond technology and resources. "We have acquired an insight into Japanese best practice and processes," says Mr George Simpson, chairman of Rover and deputy chief executive of BAE. "The Honda relationship has been invaluable as a learning opportunity."

Mr Simpson claims that the "learning process" has given Rover big opportunities to reduce costs in every aspect of its business, from moving to just-in-time production to lean distribution, to the creation of a flexible workforce.

Rover's "new deal" package of labour reforms, achieved in the past two years without confrontation, is aimed at allowing it to compete with the UK plants of Nissan, Honda and Toyota.

"With a single-status employee base represented by a single negotiating body, we have together achieved mutual benefits. We have full flexibility, genuine team working, and employees who are comprehensively involved in process improvement and waste elimination," says Mr Simpson.

Despite such improvements, the severity of the UK recession has taken its toll on the car company.

The Rover vehicle operations have fallen into deficit in the past two years with an operating loss of £49m in 1992 compared with a loss of £22m in 1991 and an operating profit of £65m in 1990.

But BAE expects Rover to move back into profit this year. It believes recovery will be based on:

- stronger new car demand with UK new car sales forecast to rise to 1.65m from 1.59m in 1992;
- a further reduction in costs following a 7.5 per cent improvement in productivity in 1992;
- the launch this month of the Rover 600 range; and
- improved competitiveness gained by depreciation of sterling.

As consumer demand in the UK shows signs of revival, Rover is pushing ahead with its ambitious cost-cutting plan. In the first quarter of this year the workforce was reduced, through voluntary redundancies, by about 2,000 to just over 31,000. This compares with 35,000 at the end of 1991 and 40,500 at the end of 1990.

At the same time, productivity gains have reduced Rover's break-even point to an annual production of around 440,000 vehicles last year. The target is to reach a break-even level of 400,000.

Improved productivity is partly a result of investment in new plant and equipment. Rover's assembly plant at Cowley, Oxford, has been transformed from one of the UK motor industry's oldest manufacturing complexes into a compact plant for the production of Rover's large cars, the 800 series executive car

and now the 600 series. Rover has invested around £215m in the new Cowley facility, which has a capacity to produce 110,000 cars a year including more than 50,000 of the 600 series cars.

Mr Towers claims that Cowley is now "an advanced and flexible production plant within existing buildings - but with many of the advantages of a greenfield site".

Rover's ambition to return to profit this year does, however, face obstacles. In particular, a sharp fall in new car demand in continental Europe threatens to offset the benefits of increased competitiveness resulting from the depreciation of sterling after Britain's withdrawal from the European exchange rate mechanism last September.

Despite the weakness of the continental market, Rover executives are determined to increase their presence there. Dependence on the UK market, which accounts for around 57 per cent of its vehicle sales, is Rover's Achilles' heel, say industry observers.

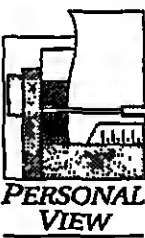
In an attempt to bolster its presence in continental Europe, it has expanded its dealer network in Germany from 120 to 150 last year. It is aiming to add another 100 by 1995.

The company hopes that the Rover 600 will help it to build a bridgehead to the Continent, and more than half of production is earmarked for export.

In continental Europe, as elsewhere, the 600 is being pitched against the BMW 3-series, the Audi 80 and the Mercedes-Benz 190, as Rover seeks to set itself apart from the dogfight among the volume car makers such as VW, Fiat, Ford and General Motors (Opel-Vauxhall).

The tired Montego, Rover's old product in the segment for large family cars and a legacy from BL, may have had to fight a losing battle against the likes of the Ford Sierra - now replaced by the Mondeo - and the Vauxhall Cavalier. But with the 600 Rover has set its sights upmarket. Roverisation is about to face its critical road test.

## Rewrite the rules for regulation



PERSONAL VIEW

Damaging disputes are raging in most of Britain's privatised utilities. The water companies and their regulators are arguing about the cost of environmental standards.

The reform-minded transitional council. The elected government can then inherit this programme at the August hand-over.

These battles illustrate an increasingly obvious point: the regulatory framework is in crisis and in urgent need of reform. In the British administrative tradition, the rules of the game (laid down in licences and legislation) are poorly defined. Director-general appointments with wide discretionary powers to ensure the utilities act in the public interest. General duties, such as "promoting competition", allow regulators to interfere in virtually any aspect of

the utility's business.

Also, since terms such as "competition" can be interpreted in a variety of ways, a regulator can choose which competition model he wishes to employ. The result is inevitable: unaccountable to anyone, regulators pursue their own agenda, leaving regulated companies, shareholders and customers to play a costly guessing game.

Regulators not only have discretion over the interpretation of the rules, they can also change them. Almost all regulators have implicitly rejected many of the original terms of privatisations and have chiselled away at the structures of their industries.

Prof Stephen Littlechild, the electricity regulator, has presided over a "dash for gas" at a time of excess capacity, allowing the regional electricity companies to integrate vertically through long-term contracts. His counterpart in the water industry, Ian Byatt, rejects much of the rationale behind new environmental standards. At Ofgas, Sir James McKinnon has now decided that the gas industry should be broken up. The utilities' licences can be

changed easily. The regulator proposes modifications, which the utility can accept or reject. Rejection, however, leads to a referral to the MMC, the prospect of which is usually enough to make a utility accept a regulator's proposals. Core issues such as the closure of power stations and the accounting structure of BT are being dealt with in this way.

### The 'promotion of competition' allows regulators to interfere in most aspects of a utility's business

This exploitation of discretion has meant that, contrary to its designers' intentions, UK regulation has turned out to be heavy-handed. While some discretion is desirable, a distinction should be drawn between the interpretation of licences and changes to them. The latter are fundamental. They touch on wider public interests, and should be debated publicly.

The power of regulators to "negotiate" amendments to licences without public debate should be curtailed. The licences were defined by government and sanctioned through legislation. These licences set the "regulatory contract" between privatised companies and their customers. It is not appropriate to permit largely unaccountable regulators to alter their terms, behind closed doors. An automatic reference to the MMC, with a public consultation period, is a minimal requirement.

However, reform should go further than this. A consistent set of principles for the conduct of regulation is required. In particular, these should define a common approach to setting prices. At present, each regulator chooses his own preferred method. However, it is time for a common methodology. This could be provided by a white paper on utility regulation, to complement the 1978 white paper, which still provides the framework for regulating nationalised industries.

The institutional structure of regulation also needs to be reconsidered. The current system of a host

of ad hoc semi-autonomous offices of regulation leads to inconsistency. An Office of Regulation should be set up, reporting to the Department of Trade and Industry. Given the present position, however, some mergers of regulators would be helpful. Offer the electricity regulator, and Ofgas could be merged to create an Office of Energy Regulation. Likewise an Office of Transport Regulation and an Office of Communications could be set up.

Measures such as a white paper on regulatory principles, a limitation on regulators' powers to modify licences without public debate, and institutional reform are essential to create a more predictable and stable climate for investment, while at the same time protecting the public from monopoly pricing. Failure to tackle the problem will continue to raise the price of investment, weaken the quality of the regulatory structure and ultimately undermine consumers' interests.

Dieter Helm

The author is director of Oxford Economic Research Associates

## Controversial candidate

■ Why recruit legendary warrior Finn McCool - also known as Fingal of the eponymous Cave and of the Giant's Causeway - to spearhead the UK government's attempt to pull in £250m by selling shares in Northern Ireland Electricity? Students of things Celtic, at least, will have a field day with the topic.

Not the least controversial question is whether he was even a Celt. One translation of his name is "fair stranger" - which, it is suggested, is what the Irish might have called a visitor from Scandinavia.

Even so, he is credited with having one idea ahead of his time. Legend says the spectacular rock formations on the Antrim coast are the remains of Fingal's attempt to build a road to Scotland. Now NIE is proposing to bridge the same gap with an electricity interconnector.

### Odd selection

■ With hits such as Birds of a Feather and Lovejoy to their credit, the creative spirits behind SelectTV, clearly know a thing or two about TV programme-making. But are they equally tuned in to the responsibilities involved in running a public company? Not only has the recent middle

over the company's failure to keep minutes of decisions raised some doubts, but a senior official commented yesterday: "Until now, I thought the Cadbury rules had something to do with a chocolate monopoly."

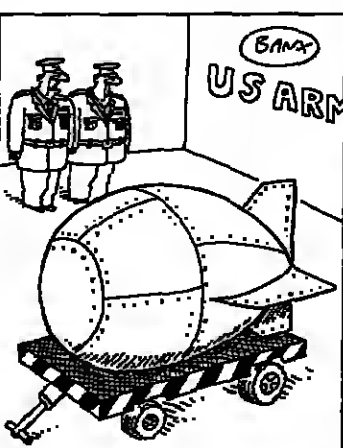
### Imported talent

■ Exciting times at The Economist, the weekly magazine part-owned by the Financial Times, which celebrates its 150th anniversary this year. Having just appointed another astonishingly young editor, Japanophile Bill Emmott, it has now gone and imported an ex-Savannah shrimp-boater as chief executive.

Marjorie Scardino, the 46-year-old president of The Economist's important North American business, is a little shy about her time on the boats. It was just an interlude before she and her journalist husband, Albert Scardino, settled down to their first love - the newspaper business. Scardino worked by day as a lawyer in her husband's home town of Savannah while helping him produce his weekly Georgia Gazette by night.

The paper made a name for itself by winning a Pulitzer prize for its investigative reporting - but partly because of this was not a great commercial success. After her husband moved to The New York Times, she joined The Economist where, by all accounts, she has flourished. During her seven years,

## OBSERVER



'It's a bomb that levels playing fields'

North American circulation has nearly tripled to 230,000 and several new publishing ventures have either been set up or acquired.

The secret of The Economist's great success in North America has been much debated, but Scardino tells me that running the business is not much different from running a weekly local newspaper. How refreshingly honest.

### So near, Sofia

■ Jacques Attali - president of the London-based European Bank of Reconstruction and Development - is a man accustomed to getting his own way. He will be pleased

therefore at the EBRD board's recent support - lukewarm though it was - for his wish that the bank's 1994 annual meeting be held in St Petersburg rather than Sofia.

The Bulgarians had formally asked to host the meeting, but Attali is, for some reason, more enthusiastic about St Petersburg. The 28-member board has the final say, and it has voted to accept St Petersburg; but it is understood that the vote proved to be less than a ringing endorsement. Two members - the US and, understandably, Bulgaria, voted against; 11 abstained, and 10 voted in favour.

So St Petersburg it is. Meanwhile, the Bulgarians have been asked to invite the EBRD to Sofia in 1996 (every other year the meeting is held in London), by which time Attali's first term as president will be over. Of course, he may always try to extend his presidency. But the Bulgarians may have something to say about that.

### Ossie influence

■ Has Paul Keating set off a process he can't control? The Labor government's unexpected election victory three weeks ago has prompted a rash of support for the Australian prime minister's republican views. Polls suggest that they are now shared by up to 70 per cent of voters. But Western Australian Liberal MPs Ross Lightfoot and Phillip

Pendal see the proposed constitutional change as an opportunity to revive the old west coast dream of separation from the eastern states - where most Australians live.

In a neat reversal of the situation in Germany where Weesies resent the dependence of the newly liberated Ossies, many western Australians are unhappy about what they see as the malign influence of Canberra.

Pendal, who opposes a republic, says he would prefer a stronger hand for the western states. But if the government refuses that, which is highly likely, he sees secession as a viable second choice.

The idea is not as crazy as it sounds. WA covers about a third of the continent, and its mining industry provides a large part of Australia's export earnings.

The state actually tried to secede in 1933, but gave up after strong opposition from both Canberra and Britain, which then had residual rights to legislate for its former Australian colonies.

### Room service

■ Following on from the enormous success of the Hoover promotion, the Ritz, Trafalgar House's flagship hotel, is jumping on the bandwagon.

Anybody who books one of its 5850 suites for two nights is being offered a map of the world, a British Airways timetable and a free vacuum cleaner.



## Italy's best-known politician 'hurt' by charge of Mafia links

MR GIULIO Andreotti picks up a single sheet of paper from the top of his cluttered desk. "Yes, this is my *ovvio di garanzia*," he says with faint distaste.

The *ovvio* is the notice that this veteran Christian Democrat politician, seven times prime minister of Italy, is under investigation by Milan magistrates for alleged illicit financing of a political party. The notice was served on Monday.

"I heard the news first from television and only received the *ovvio* from the magistrates myself later in the afternoon," he adds. His voice contains enough irony to reveal irritation at the way the Milan magistrates have allowed the public to hear first that Italy's best known politician has become involved in the scandals of illicit funds for the political parties.

Mr Andreotti, aged 74 and a life senator, is alleged to have asked his old friend, Mr Giuseppe Ciarrapico, owner of Roma football team and prominent financier, to provide 1.25bn (\$167,000) to help the Social Democrat party (PSDI) in last April's general elections. The small PSDI has long been one of the two junior partners in the Christian Democrat-led coalition governments and these funds were not registered in the party's balance sheet.

"I don't know. I'll have to check," he says when asked about the incident, adding vaguely, "I can't remember. It was election time. During elections you make a lot of telephone calls." If Mr Andreotti appears to treat this brush with Milan magistrates as an irritation, he admits to have been deeply wounded by Palermo magistrates, who want to have his par-

Robert Graham and David Marsh in Rome meet one of the latest targets of magistrates' investigations



Giulio Andreotti: deeply wounded over alleged collusion with Mafia

liamentary immunity waived to answer the more serious charge of collusion with the Mafia.

"I feel morally hurt... for more than 10 years I have been fighting the Mafia, adopting tough measures, putting my life at risk," Mr Andreotti never-

theless recognises the damage to Italy's international image as a result of his being linked allegedly to organised crime.

The Palermo magistrates allege that Mr Andreotti, through his close associate Mr Salvatore Lima, the Sicilian

Enro-MP murdered in March 1992, was the Mafia's point of "reference" in Rome. The evidence is based on confessions from *pentiti* - former Mafia co-operating with the judicial system under plea bargaining programmes. "None of the *pentiti* say anything directly against me. Everything is based on hearsay. No one says Andreotti helped do this and was found to do that," he says.

Mr Andreotti specifically denies the allegation that he intervened with an appeals court judge, under investigation for links with the Mafia, to influence the sentences of Mafia bosses. The same suggestion was made by the parliamentary anti-Mafia commission last week.

Although Mr Andreotti denies any personal guilt, he is nevertheless willing to concede for the first time that the political establishment he has dominated for so long has a responsibility for failing to tackle earlier the question of illicit party financing.

For a man who has seen nearly all his close political and business allies caught up in the corruption scandals, he retains a remarkable posture of normality in public.

"If I have done something seriously wrong then I am willing to face the consequences. But I don't believe that to be the case," he says. The next step in which he is coming into a political trial will be to see how many friends he has in parliament willing to defend his immunity. The issue has already created a deep rift inside the party he helped found.

## Corruption probe for steel group chief

By Andrew Taylor, Construction Correspondent, in London

THE HEAD OF an Italian civil engineering company which last year controversially won the contract to supply steelwork for a £300m (\$420m) bridge over the river Severn in Britain has been placed under house arrest in Italy following allegations of corruption.

Sir Teddy Taylor, a Conservative member of parliament who strongly criticised the award of the contract to Cimolai, yesterday wrote to Mr Michael Heseltine, the trade secretary, requesting an official investigation into the Italian company. He said: "This raises serious issues

which must be investigated, given the previous concern over the award of an important contract to a non-British company."

The allegations against Mr Luigi Cimolai, managing director of Cimolai, involve two projects in north-east Italy: the proposed construction of the Pianispa-Squala highway and the completed Delizia bridge across the river Tagliamento, near the group's headquarters in Pordenone.

Some of the biggest corruption scandals in Italy have involved construction and engineering companies, which were awarded lucrative domestic contracts for public works projects in exchange for making illicit pay-

ments to political parties.

The arrest is embarrassing for John Laing of the UK and GTM Entrepote of France which are jointly building the Severn crossing and which awarded the £7m steelwork contract to Cimolai in November.

Mr Martin Laing, chairman of the British construction group, said: "Our contract is with a company, not with an individual. We were required under EC rules to advertise the job internationally. We would have preferred to give the work to a British company but Cimolai offered by far the best terms and has an excellent track record for this kind of work. The company's offer and record was checked thoroughly

and we have no reason to regret our decision."

Sir Teddy Taylor, however, remains critical of the deal. He said: "I am concerned that companies from the continent can use EC competition rules to win work in Britain with the benefit of subsidised prices."

The British Constructional Steelwork Association says that Italian steelwork companies seeking to gain a foothold in the market have been undercutting prices submitted by local suppliers by up to 20 per cent.

Cimolai was recently reported to have won a steelwork contract for the Pont de Normandie viaduct on the A29 motorway near Le Havre in northern France.

## Spain's Socialists fail to resolve row

By Peter Bruce in Madrid

A POWER STRUGGLE inside Spain's ruling Socialist party yesterday spilled into the open, virtually ensuring either a clear defeat or victory for Mr Felipe González, prime minister, when the party executive meets on Saturday.

It could force the resignation of Mr González as party leader.

Efforts by senior Socialists failed to paper over cracks caused by disagreements between the prime minister and Mr Alfonso Guerra, the left-wing deputy prime minister, over charges that the party illegally financed itself in the late 1980s.

Mr González and other conservative members of the cabinet and the party are pressing for early resignations of senior party members in the face of the scandal, which is hurting the Socialists in advance of elections later this year. Mr Guerra and the party's chief administrator, Mr Jose Maria Benegas, deny anyone in the party is to blame.

Mr Guerra and Mr Benegas have released a letter written by Mr Benegas to Mr González last Thursday in which he appeared to offer to resign. In the note, he accuses members of the government of trying to topple him by blaming him for the scandal and of breaking the traditions of loyalty and solidarity in the party.

The bitterly worded note was being interpreted in Madrid more as a call to arms than a resignation offer.

Supporters of the left-wing party apparatus led by Mr Guerra and Mr Benegas were yesterday lobbying hard before the Saturday executive meeting. Mr González has made it clear he will be seeking political, rather than legal, responsibility from the meeting. He has suggested that he will be prepared to step down as party leader - and thus probably not lead the party in the next election - if no one else resigns.

A problem for the prime minister and his supporters is that they do not command a natural majority on the Socialist executive. Mr Guerra does. There is no guarantee that, faced with an election disaster if Mr González goes, the executive would will sacrifice either Mr Benegas or even Mr Guerra.

Tension between the two sides, who accuse each other of destroying the Spanish economy and the Socialist vote, is now so intense that some senior party members were speculating that if Mr González fails to get his way on Saturday he will call a quick general election as revenge. The Socialists would do badly in any poll now and possibly not even form a coalition unless the financing scandal is resolved.

## European air fares battle intensifies

By Daniel Green in London

THE European air fares row of the past few weeks is a rare sign that competition and recession may be able to cut costs in Europe's notoriously expensive airline network.

The first shots in the battle were fired in February by UK carrier British Midland, in which Scandinavian Airlines System has a 40 per cent stake. It introduced a cut-price three-day return fare to its 12 international destinations.

Many of its competitors, such as the Dutch airline KLM and Air France, cut their own fares to match during March. This week, British Airways turned a small-scale price tussle into something larger by cutting fares on seven routes between four UK cities and European destinations.

A business class return fare between London and Paris, for example, costs £240 (\$362), compared with £318 a few weeks ago. Executives still have to read the small print; some fares are only available as a three-day return, while on others travel must be completed by a set date.

The fares war is unusual in two respects. First it is on short-haul routes. Outside the US, short-haul has been a heavily regulated market and in Europe has traditionally accommodated just two carriers on each route -

one from each of the countries. Competition is limited and passengers almost always find both carriers charging the same high price.

Limited deregulation in Europe has now increased competition, and the price cuts are mostly on routes on which British Midland competes with larger carriers.

British Midland's presence is not enough to explain all the differences. French and German business executives buying a return business class ticket to London in their home countries pay FF2,780 (\$614) and DM1,128 (\$700) respectively. From London, BA's lowest business class return fare to Frankfurt is £332.

Traditionally, airlines have regarded business class tickets as not price sensitive. Business class passengers got a flexible ticket - if they missed an aircraft, they could catch the next one - as well as faster check-in and higher baggage allowances.

But business class bookings have sagged in the recession. The latest figures from the 23-member Association of European Airlines indicate that business class bookings have fallen below one-third of the total for the first time since the organisation began collating records in the mid-1980s. The trend has been downwards since 1980, when 38 per cent of tickets were sold at full price.

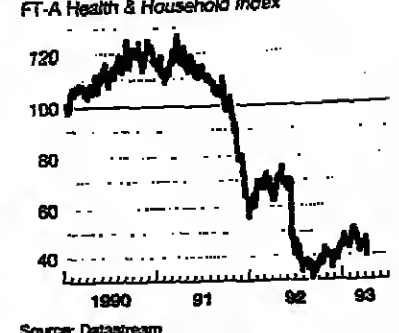
### THE LEX COLUMN

## Relapse at Fisons

FT-SE Index: 2832.2 (+5.67)

### Fisons

Share price relative to the FT-SE Health & Household Index



Source: Datastream

Fisons can hardly be blamed for the failure of tirdane to make the clinical grade. The high rate of attrition among drugs during even the late stages of development is what makes pharmaceuticals a risk business. Even so, the shortcomings of tirdane might have been recognised earlier. The secret of success lies in weeding out ineffective compounds before serious money has been spent on development. As late as last month, the company was predicting the commercial launch of this product by 1997. More seriously, the failure raises the question of whether Fisons is big enough to compete in the long term.

With no obvious successor to Tilade in the research pipeline, Fisons' franchise in asthma therapy could wither. Tilade is protected by patents until the end of the decade, but competition from the likes of ICI and the long lead-time required to develop new drugs dictate that it must move fast to plug the gap. Scrapping tirdane saves £10m a year which can be devoted to other compounds. Licensing drugs from other companies might provide a solution. Without one, Fisons' experience in asthma therapy would be worth more in other hands.

If that makes a takeover more likely, yesterday's 13 per cent fall in the shares may be overdue. But it is hard to escape the conclusion that Fisons is worth less without the promise of tirdane. With such a long record of nasty surprises to be taken into account, potential predators will prefer to sit back and wait.

### Scrip dividends

The fashion for enhanced scrip dividends risks getting out of hand. The tax efficient nature of the scheme - especially for companies writing-off unrelieved advance corporation tax - does not disguise what is in effect a mini rights issue. The market should thus apply the same tests as to a conventional cash call. Companies which can make a convincing case for reinvesting the dividend are worthy of support. All credit to Coats Vylella for yesterday pin-pointing specific investments on which it looks likely to achieve a decent rate of return. By asking shareholders to forgo a cash dividend to shore up its balance sheet, Ladbroke is stretching the point.

Altering dividend arrangements after shares have gone ex-dividend equally sets a poor precedent. Both Ladbroke and BTZ transgressed in this respect. Investors buying either

share after the ex-dividend date, only to find the dividend subsequently increased, might justifiably feel aggrieved. True, the companies benefit from lower tax and interest charges. They may also have been reluctant to announce tax-driven arrangements before the Budget. Such pragmatic arguments are no excuse for the risk of creating a false market.

If shareholders approve, Coats may issue shares in place of its next interim dividend. It should be wary of coming back next year as well, even if the reinvestment case is strong. Finding cash for the dividend is a valuable discipline. Companies which print shares rather than meet such obligations are no more deserving of support than governments which monetise deficits.

### Tesco

Tesco's results betray the forced cheer one would expect from a retailer that is selling French champagne at less than £3 a bottle. Operating profits were up 17 per cent on a 52-week comparison basis, but the company admits the recession is not over. Its customers are still trading down and volume in existing stores fell by 0.9 per cent last year. Weekly revenue per square foot in newly-opened stores is approaching £14.50. Though a marked improvement on a year ago, that is still significantly below J. Sainsbury and the company is vague about the extent of follow-through increases on stores opened in 1991.

This is not to belittle the 0.5 point increase to 7.8 per cent in Tesco's operating margin. Since Sainsbury's margin is about a point higher, there

ought to be room for more productivity gains, although Tesco will always be dragged down to some degree by the relatively large share of petrol in its total sales. The real difference between the two is that Sainsbury has been able to increase both volume and margin during the recession.

Tesco's fortunes depend on how quickly it can build over its clientele suffered more than Sainsbury's during the recession, so Tesco should be rated a recovery stock. That ignores the arrival of the discounters and the renaissance of Asda. The risk remains that Tesco will have neither the brand image nor the price competitiveness to compete in a mature market. Until it can prove otherwise, its shares will not look cheap, even on a prospective multiple some four points below the market.

### Isosceles

Isosceles's proposed financial restructuring represents the best outcome the company can expect in its dire predicament. Almost certainly, though, it will not be enough to save its owners further shames.

The plan assumes the ring-fenced Gateway grocery chain will be left supporting £46m of debt on operating profits of perhaps £70m this year. Out of that, Gateway must pay interest of some £45m and may have to pay dividends to Isosceles. That will leave little scope to upgrade its outdated store portfolio, despite an additional £50m of working capital facilities. Gateway will concentrate on reinvigorating its 500 core stores. But it will be tough work simply staunching its sales decline, which has been running at an 8 per cent annual rate.

The remainder of Isosceles's £1.1bn of debt will be carried to restructured form by the parent company. Holders of the £256m of senior debt and £400m of discount bonds will still hope for some salvage from a flotation or sale of Gateway. Barring a transformation in Gateway's trading, owners of the preference and ordinary shares will get no return at all. Isosceles's 38 banks seem disposed to swallow their losses with surprising equanimity. Maybe they have simply grown blasé at writing down problem loans. But the alternatives are scarcely tempting. Either they inject yet more capital and risk going for growth or they put Isosceles into receivership and try to squeeze value from Gateway's notional £300m of assets.

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## INTERNATIONAL COMPANIES AND FINANCE

## Acquisitions assist EBS profits rise to FF1.28bn

By Haig Simonian in Milan

ERIDANIA Béghin-Say, the Paris-based sugar, agro-industrial and branded foods company controlled by Italy's Ferruzzi-Montedison group, raised net profits by 70 per cent to FF1.28bn (\$232m) last year from FF754m in 1991.

The improvement stems from recent acquisitions and more favourable markets, notably on the oil seeds side. Group sales rose by 22 per cent to FF49.7bn, while net operating profits were up 35 per cent to FF3.62bn. The dividend remains unchanged at FF30 for each share or investment certificate.

EBS warned that the 1992 figures were not directly comparable with those for 1991 owing to the effect of the merger with Eridania, Ferruzzi-Montedison's Italian sugar operation, acquisitions and changes in accounting practices.

The 1992 figures represent the first results produced after Ferruzzi's complex restructuring of its French and Italian sugar and foods interests last year. As a result, Eridania, which held 60 per cent of Béghin-Say's capital, conferred its Italian sugar business and a 30 per cent stake in a starch group co-owned with the French company to Béghin-Say, creating the bigger EBS.

Béghin-Say's profits have only recovered to the levels of 1990, when net earnings amounted to FF1.08bn. The subsequent fall stemmed from lower exceptional items and rising debts from acquisitions, including Lesieur (edible oils) and Ducros (spices).

The cost of takeovers in 1992 was reflected in a 55 per cent rise in net debts of EBS to FF14.15bn.

Mr Renato Picco, chairman, said the group aimed to strengthen its branded foods activities by more takeovers and was interested in the Cirio, Bertolli, De Rica division of the Italian state-owned SME group which is to be privatised.

Ferruzzi yesterday revealed that it had sold 6.36 per cent of the non-convertible savings shares in the listed Ferruzzi Finanziaria holding company last month.

## Thomson-CSF plunges 35%

By David Buchanan in Paris

THOMSON-CSF, the French state-owned military electronics company, yesterday announced a big drop in net profit to FF1.5bn (\$277m) last year from FF2.34bn the previous year, and a small cut in its dividend to FF16 a share from FF18.

The 35 per cent fall in profits was on a smaller decline in turnover, which dropped by 2.8 per cent to FF34.3bn. Its financial results were dragged down by a 15.5 per cent stake in Crédit Lyonnais, the state-owned bank which last week

reported provisions and a loss amounting to FF1.8bn. Thomson-CSF's share of that loss was FF256m, against a FF566m profit a year earlier.

Mr Alain Gomez, Thomson-CSF president, yesterday forecast this year's result should not be any worse than last year's, "with a probability, which is not negligible, that it will be better".

This prediction appeared to be based on the hope of a better performance from financial investments. These include a stake in Althaus Finance which provided Thomson-CSF with a profit of FF613m last year, up from FF235m in 1991. Mr Gomez said contraction of defence budgets gave no reason to expect an upturn this year in military business.

By contrast, Dassault Aviation, the French aircraft maker, yesterday announced a higher net profit for 1992 - FF180m - than it had previously signalled. It said it would double its dividend to FF6 a share. Last month, Dassault executives had predicted that net profit last year would be about the same as the FF103m in 1991. The company said cutting had helped lift profits more than it had expected.

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## Fisons halts asthma drug work

By Paul Abrahams in London

FISONS, the troubled pharmaceutical and scientific instruments group, yesterday revealed that development of its most promising compound had been halted. The decision casts doubt on the company's long-term independence. Fisons' shares fell 13 per cent from 194p to 169p in heavy trading.

"We are bloody but unbowed," said Mr Cedric Scroggs, chief executive. "This is a disappointment, but it

would be utterly premature to write Fisons off as a small but useful company in pharmaceuticals. Engineering of a full-scale merger with another company is not on the board's agenda."

The company was stopping development of tiptedane, a steroid treatment for asthma, because the drug had failed to show sufficient efficacy in trials.

Possibilities of a hostile bid following the announcement were dismissed by analysts.

Last year the company stressed only two products in its development pipeline, one of which was tiptedane. Mr Scroggs would fill the gap left by tiptedane by licensing in an asthma drug from another company. "We have had lots of offers of other drugs in recent months that we have turned away. We will go back to those groups."

Fisons lacks a specialist salesforce to market its next most promising compound, an anti-epileptic product called remacemide, expected in 1993. See Page 16

## Mercedes confronts Japan on foreign soil

Martin Dickson looks at the German carmaker's decision to build a plant in the US

FIRST BMW, now Mercedes-Benz, Germany's two leading luxury car makers suddenly both want to manufacture cars outside their domestic base and both want to do so in the US. But the bold strategy has its risks.

Mercedes announced on Monday it intended to build a plant in the US, at a cost of about \$300m, which would make a new kind of four-wheel-drive sports utility vehicle. A site would be chosen in the next three or four months, and production of up to 60,000 vehicles a year would begin in 1997. Two thirds of production would go for export, with one third for the US market.

BMW announced last summer it would build a \$350m plant in South Carolina to manufacture up to 80,000 cars a year by 1995, about half of them for export. The type of vehicle remains a secret.

Two inter-related factors have been pushing the Germans in this direction: the need to confront head-on the rapid rise of Japanese luxury car marques in the US, and the high cost of building cars in Germany.

For Mercedes, an additional factor is a change in corporate strategy under which it will make vehicles outside its luxury niche.

Since the late 1980s, the Japanese have come from nowhere to capture nearly 31 per cent of the US luxury car market.

They have captured sales from both European importers, who account for about 21 per cent of the market, and Detroit's Big Three, whose market share has shrunk to about 48 per cent.

BMW has enjoyed a strong sales rebound over the past year, thanks to new products, and Mercedes has seen rather more chequered growth, but the combined annual US sales of the two companies, at about 130,000 units, is far below the 195,000 peak in 1989.

Keen pricing has been crucial to the success of the Japanese marques and, in spite of periodic accusations that the Japanese were dumping, German manufacturers acknowledge their Asian rivals have a large cost production advantage over them.

Mercedes has an additional reason for putting its new plant in the US. The vehicle to be built there represents a new departure for the company, into the fast-growing sports utility segment of the market, which includes products such as Britain's Range Rover and Chrysler's Jeep Cherokee.

The US is by far the largest and most innovative market for such vehicles, having seen sales grow from a mere 240,000 units in 1980 to 1.1m in 1992.

Mercedes makes a four-wheel-drive vehicle, in Austria, but this primarily serves military markets and production is being phased out.

However, manufacturing in America involves risks for the two companies, which are only too well aware of the fate of compatriot Volkswagen, which invested in a US plant in the late 1970s, only to pull out in 1988 after heavy losses due to weak productivity and a reputation for poor quality at its Pennsylvania plant.

A challenge for BMW and Mercedes is to retain the prestige of their cars for quality, while losing their Made in Germany tag. This may be easier for Mercedes, since the company has experience of manufacturing in the US and other world markets through its commercial vehicle division.

It is also about to start manufacturing mini-vans in Spain.

In the US, it owns Freightliner, which last year for the first time became the top-selling truck in the heavy Class 6 category, taking a 23 per cent market share. Freightliner's former chief executive, Mr Dieter Zetsche, was promoted last year to head passenger car engineering worldwide.

Mercedes is taking a risk with the type of vehicle it is building in the US. Entry to the sports utility market is one of the first results of a change in corporate strategy which is to involve it in a broader range of products than its traditional luxury models.

The four-wheel-drive vehicle, will be aimed at the middle of the US market, against competitors such as the Jeep Grand Cherokee and Ford Explorer, selling in the \$20,000 to \$30,000 range, rather than the Range Rover, at over \$40,000.

"There are excellent opportunities to position ourselves with our quality and safety philosophy as a premium car producer in these new market segments," says Mr Werner.

However, the sports utility segment is crowded and fashion-conscious, and Mercedes is not known for reacting rapidly to changing consumer tastes. The US venture could prove a tough test of its new strategy.

## Coming battle for Europe's trailer rentals

Angus Foster reports on the impact of GE Capital's agreed bid for TIP Europe

FOR three years, TIP Europe has been struggling as an also-ran in the European trailer rental market. But yesterday's bid by GE Capital, if successful, could kick-start the fortunes of the company and make for an intriguing battle with the market leader, Tiphook.

First, though, GE Capital must convince TIP Europe's shareholders to accept a bid when their company is close to the bottom of its cycle and the share price is low.

One analyst said neither TIP Europe's shareholders nor its management would be proud of the offer price. "But how long can they wait before continental Europe, and therefore the share price, recovers?" he asked.

TIP Europe's troubles started in 1989 when, after two years of boisterous expansion, it was hit by the UK recession. The company breached a banking facility, which prompted a refinancing and the arrival of a new chairman, Mr Jim Davis, and chief executive, Mr David Callear.

Since then the company has fought to control costs and has been reducing its fleet size. Analysts suspect it has neglected spending on information technology and allowed its fleet to grow older than Tiphook's.

Tiphook is estimated to have about 35 per cent of the market, compared with 19 per cent for TIP Europe. Tiphook has more vehicles in all European markets except Spain.

GE Capital's entry into Europe had been expected since the expiry in 1991 of a "non-compete" agreement it inherited with the acquisition of Gelco, owner of US trailer rental company Transport International Pool. This last company had earlier sold TIP Europe to its management.

Mr Robert Agans, chairman of GE Capital's modular space and TIP divisions, said the plan was "to grow TIP Europe as fast as we can". This would include annual spending of \$40m (\$56.8m) to \$50m on trailers, which would conform to latest EC specifications and be capable of cross-border rentals.

Assuming a modest turnaround in Europe's economy, he expected the fleet to grow from 17,000 to 23,000 trailers by 1997. This compares to Tiphook's current fleet of 33,000 vehicles.

Mr Robert Montague, chairman of Tiphook, said the European and US distribution markets were very different. "We are already here in Europe and have already built up a network," he said. Nevertheless, Tiphook's shares fell 25p to 335p on competition worries yesterday.

Both companies have room for growth in the longer term. Rental trailers make up about 8 per cent of total European trailers, compared to about 25 per cent in the US. The rest are owned.

Although European barriers still exist - for example cabotage prevents some cross-border return trips - these barriers are slowly coming down and most analysts expect the European figure to pass 15 per cent by the end of the decade.

All of these securities have been sold. This announcement appears as a matter of record only.

New Issue/March 1993

21,390,000 Shares



Ordinary Shares

J.P. Morgan Securities Inc.

Morgan Stanley & Co.  
Incorporated

S.G. Warburg Securities

ABN AMRO Bank N.V.

Bear, Stearns & Co. Inc.

Credit Lyonnais Securities

Donaldson, Lufkin & Jenrette  
Securities Corporation

Dresdner Bank  
Aktienbank AG

A.G. Edwards & Sons, Inc.

The First Boston Corporation

Goldman, Sachs & Co.

Merrill Lynch & Co.

Nomura Securities International, Inc.

Smith Barney, Harris Upham & Co.  
Incorporated

SBCI Swiss Bank Corporation  
Investment Banking

Dean Witter Reynolds Inc.

Sanford C. Bernstein & Co., Inc.

Conning & Company

First Bermuda Securities Ltd.

First Manhattan Co.

Fox-Pitt, Kelton, Inc.

Janney Montgomery Scott Inc.

Paulsen, Dowling Securities, Inc.

The Robinson - Humphrey Company, Inc.

Scott & Stringfellow Investment Corporation

## Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Aktiebolaget SKF will be held at SKF Kristineberg, Byfogdegatan 4, Göteborg, at 3.30 p.m. on Wednesday April 28, 1993.

## Annual General Meeting

## Notice of Attendance

For the right to participate in the meeting, shareholders must be recorded in the shareholders' register kept by the Securities Register Centre (VPC AB) by Friday April 16, 1993 and must notify the Company before noon Friday April 23 of their intention to attend (Aktiebolaget SKF, S-415 50 Göteborg, Tel: +46-31-37 26 521, giving details of name, address, telephone and shareholding).

## Dividends

The Board of Directors proposes that no dividend be paid based on the financial year 1992.

Proxy forms are available from:  
AB SKF, S-415 50 Göteborg, Sweden.  
Tel: +46-31-37 26 52 & 37 10 00.

Göteborg, April 1993.

The Board of Directors

SKF

U.S. \$100,000,000



Statens Bostadsfinansieringsaktiebolag, SBAB  
(Incorporated with limited liability in the Kingdom of Sweden)

Subordinated Floating Rate Notes due October 2002

Notice is hereby given that for the six months Interest Period from April 7, 1993 to October 7, 1993 the Notes will carry an Interest Rate of 5.25% per annum. The interest payable on the relevant Interest payment date, October 7, 1993 will be U.S. \$133.43 and U.S. \$2,668.75 respectively for Notes in denominations of U.S. \$5,000 and U.S. \$100,000.

By: The Chase Manhattan Bank, N.A.  
London, Agent Bank

April 7, 1993



SABEE VIII  
INTERNATIONAL LIMITED  
JPY5,000,000,000  
Floating Rate Secured  
Notes Due 1993

For the 3 months period 6th April, 1993 to 6th July, 1993, the notes bear the interest rate of 3.125%.

JPY5,373 will be payable from 6th July, 1993 per JPY1,000,000 principal amount of Notes.

Yamaichi International  
[Europe] Limited, Agent Bank

EUROPEAN COAL  
AND STEEL  
COMMUNITY

For 300,000,000 FRF due 2002  
Notice is hereby given that the rate of interest for the period from April 6th, 1993 to July 6th, 1993 has been fixed at 8.1875% per cent. per annum. The coupon amount due for this period is FRF 248.25 per denomination of FRF 10,000 and FRF 2,482.50 per denomination of FRF 100,000 and are payable on the interest payment date, July 6th, 1993.

The Agent Bank  
Banque Nationale de Paris  
[Luxembourg] S.A.

## LEGAL NOTICES

## PUBLISHED NOTICE OF CREDITORS MEETING

JOHN MANSON LIMITED  
JOHN MANSON (HOLDINGS) LIMITED  
JOHN MANSON GROUP LIMITED  
(All in Liquidation)

NOTICE IS HEREBY GIVEN, pursuant to Section 98 of the Insolvency Act 1986, that a MEETING OF THE CREDITORS of the above-named companies will be held at Melrose House, 42 Dingswall Road, Croydon, Surrey CR0 2NE on Tuesday, 13 April 1993 at 10.30 am for the purposes mentioned in Sections 99 to 101 of the said Act. A list of the names and addresses of the companies' creditors may be inspected free of charge at Melrose House, 42 Dingswall Road, Croydon, Surrey CR0 2NE between 10.00 am and 5.00 pm on Thursday 8 April 1993.

Creditors wishing to vote at the meeting must (unless they are individual creditors attending in person) lodge their proxies at the offices of Cork Gully at Melrose House, 42 Dingswall Road, Croydon, Surrey CR0 2NE no later than 12 noon on Thursday 8 April 1993. Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned in photocopies (including faxed copies) are not acceptable.

Unless there are exceptional circumstances, creditors will not be entitled to vote unless their proxy has been lodged and submitted for voting purposes. A proxy may be lodged by submitting a written statement of claim clearly stating the name and address of the creditor and the amount claimed. Whilst proxies may be lodged at any time before voting commences, creditors intending to vote at the meeting are requested to send them with their proxies. Unless they surrender their security, secured creditors must give particulars of their security and its value if they wish to vote at the meeting.

DATED this 31st day of March 1993  
BY ORDER OF THE BOARD

## PERSONAL

PUBLIC SPEAKING training and speech-writing by award winning speaker. First lesson free. Tel: (0727) 851138

## COMPAGNIE DE SAINT-GOBAIN

Public company with a capital of FRF99,322,000  
Registered Office: "Les Miniers" 15, Avenue d'Alsace - 93000 COURBOVOISE  
RCS : NANTERRE 9 643 839 532  
PARTICIPATING STOCK APRIL 1994  
OF ECU 1000 EACH  
GENERAL MEETING TO BE HELD APRIL 28, 1993

## AGENDA

The owners of participating stock April 1994 of ECU 1000 of COMPAGNIE DE SAINT-GOBAIN are invited to the General Meeting which will be held on April 28, 1993 at 11.15 at the registered office, "Les Miniers" 15, Avenue d'Alsace. This meeting will consist of the following agenda:

BOARD OF DIRECTORS' REPORT ON THE COMPANY'S OPERATIONS FOR FINANCIAL YEAR 1992  
AUDITORS' REPORT ON FINANCIAL YEAR 1992 ACCOUNTS AND ELEMENTS FOR FUNDING THE PARTICIPATING STOCK YIELD.  
FIXING THE INCOME OF THE MASSE ENTITLED REPRESENTATIVES.  
POWERS FOR PROXALITIES.

To attend the meeting the participating stock owners will have to provide a blocking affidavit issued by the trustee and in order to appoint a deputy at the meeting they will have to add a proxy to the affidavit.

THE BOARD OF DIRECTORS

## NOTICE OF CREDITORS MEETING

DISPLAY A SHOP EQUIPMENT LIMITED  
JOINT ADMINISTRATIVE RECEIVERS APPOINTED

NOTICE IS HEREBY GIVEN, pursuant to Section 45 of the Insolvency Act 1986 that a MEETING OF THE CREDITORS of the above-named company will be held at The Grand Hotel, Colmore Row, Birmingham, on Thursday 22 April 1993 at 1.30 pm for the purposes of the said Act and the report presented by the Joint Administrative Receivers in accordance with the said Act and, if thought fit, appointing a Committee.

Creditors whose claims are wholly secured are not entitled to attend or vote at the meeting. Creditors who are partly secured may also vote in respect of the balance of the amount due to them after deducting the value of the security, as estimated by them. A creditor in respect of a debt due on, or secured by, a bill of exchange or promissory note must treat the liability of any person who is liable on the bill accordingly to the company as a security held by him (unless that other person is subject to a bankruptcy order or in liquidation).

Creditors wishing to vote at the meeting must lodge a written statement of their claim with the Joint Administrative Receivers, 43 Temple Row, Birmingham, B2 7HT on or before 12.00 noon on 21 April 1993. Forms of proxy, if intended to be used, must also be lodged with the Joint Administrative Receivers on or before 12.00 noon on 21 April 1993.

John P. Powell  
Joint Administrative Receiver

## Substantive Service of Damages Petition

In the High Court of Justice

IN BANKRUPTCY

ANTHONY GILMARTIN

of 37 Anchor Brewery, 30 Sand Thames, London SE1

also known as CHARLES ELLISON

Take notice that a Bankruptcy Petition has been presented against you to this court by Charles Gilmartin, Butler, Wharf West, 30 Sand Thames, London SE1 and the court has ordered that the petition be published in the Financial Times newspaper of the presentation of such Petition and the time and place fixed for hearing the Petition shall be deemed to be good and sufficient service done on you on application at this court, whose office is at Room 308, Thomas More Building, Royal Courts of Justice, Strand, London, W.C.2.

Important: If you do not attend the hearing of the petition the court may make a bankruptcy order against you in your absence. The petition can be discharged by you on application at this court, whose office is at Room 308, Thomas More Building, Royal Courts of Justice, Strand, London, W.C.2.

Dated 7 April 1993

## NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS

JOLLY AND BARBER LIMITED

Registered number: 10194422. Nature of Business: Printers. Trade description: 10.

Date of appointment of Joint Administrative Receivers: 31 March 1993. Name of person appointing the Joint Administrative Receivers: National Westminster Bank plc.

JOHN FREDERICK POWELL and DAVID ROBERT WILTON

Joint Administrative Receivers.

Office holds at 2905 and 5704, Coopers & Lybrand, 43 Temple Row, Birmingham B2 7HT.

Telephone: 021 625 5777

Telex: 250000

Facsimile: 021 625 5777

Internet: jolly@bt.com

Internet: david@bt.com

Internet: john@bt.com

Internet: david@bt.com

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## INTERNATIONAL COMPANIES AND FINANCE

## GM names new head of worldwide purchasing

By Martin Dickson

GENERAL Motors has unexpectedly named Mr Richard Wagoner, its young chief financial officer, to replace Mr J. Ignacio Lopez de Arriortua, who quit as head of worldwide purchasing last month and controversially joined Volkswagen in Germany.

Mr Wagoner, 40, who was only named chief financial officer last November, will continue to hold that position as well as taking on Mr Lopez's responsibilities.

The move surprised some analysts, who questioned whether Mr Wagoner would be able to devote sufficient time to the purchasing job while wearing two hats, and noted that he had spent much of his career on the financial side of GM, rather than in manufacturing.

Reform of the purchasing system - including pressuring suppliers to cut prices - forms a crucial part of GM's drive to turn its loss-making North American car operations back to profit.

Mr Lopez is believed to have saved GM more than \$1bn in costs during his 10 months in the job. An important element of his success was his obsessive, idiosyncratic and energetic nature.

Mr Jack Smith, GM chief executive, said yesterday daily staff operations of the finance group would be overseen by Mr Leon Krain, a corporate vice-president, allowing Mr Wagoner to focus immediately on his purchasing responsibilities.

Mr Smith reiterated that the success of the purchasing initiative was vital to GM's competitiveness and said Mr Wagoner brought to the task knowledge of both operations and finance, as well as "creativity, drive and leadership".

## AMD exceeds forecast

By Louise Kehoe in San Francisco

ADVANCED Micro Devices, the US semiconductor manufacturer, yesterday reported higher-than-expected first-quarter results, although an increase in tax rates caused a dip in earnings.

Revenues for the first quarter were \$407.4m. Net income was \$61.5m before payment of preferred stock dividends.

After the preferred dividend, quarterly net income amounted to \$58.9m, or 63 cents a share. In the same quarter a year ago AMD reported higher earnings of

\$84.9m before the dividend, and \$82.3m, or 90 cents, after the dividend, on the same level of revenues.

AMD said its tax rate in the quarter was 28 per cent, against 15 per cent in the first quarter of 1992 when it was able to carry forward losses and use tax credits to lower its overall tax rate.

It said sales of its 386 microprocessor, used in personal computers, reached record volumes, although prices were "dramatically lower" than a year ago. Reduced microprocessor revenues were more than offset by increased sales of other products, including

non-volatile memory chips.

Sales in North America and Europe reached record levels in the quarter, while in Japan they declined, reflecting continued weakness in the Japanese semiconductor market.

"The current market recovery in information technology, with strong demand for computation and communications equipment, plays directly into AMD's strengths," said Mr W. J. Sanders III, chairman and chief executive.

AMD also announced it had signed a definitive agreement with Fujitsu of Japan to build a \$700m semiconductor plant in Wakamatsu, Japan.

## Varity unit buys Danish stake

By Andrew Baxter

MASSEY-FERGUSON, the farm equipment group owned by Varity of the US, has taken a one-third stake in a new company formed to acquire the assets of Dronningborg Maskinfabrik, the Danish combine harvester manufacturer.

The deal secures supplies of all the Massey combine harvesters sold in Europe. Dronningborg has been making combines for Massey since 1984, but its future became uncertain when Dania Holding, its parent company, suspended payments to creditors in January.

## Corning's income falls 9%

By Martin Dickson in New York

CORNING, the US manufacturer of high technology and glass products, yesterday reported a 9 per cent drop in comparable first-quarter net income, which it blamed mainly on a weak results from businesses in which it has equity interests.

The main culprits were Vitro Corning, its joint-venture houseware products company with Mexico's Vitro, and Dow Corning, which last year was embroiled in controversy over its breast implant products. Corning said the weak

results from these businesses were due to "soft economies in Mexico, Europe and Japan".

Corning's net income totalled \$47.2m, or 25 cents a share, excluding accounting changes and special events, down 9 per cent when last year's figures are adjusted on the same basis. Sales were up from \$741m to \$817m.

Mr James Houghton, chairman, said: "Excluding special events, earnings from consolidated operations increased 8 per cent. However, this gain was not enough to offset the major decline in operations of equity companies."

He added that while the group was not pleased with its overall performance, it did not believe the results were indicative of the full year.

"The March operating results of consolidated companies were below our expectations primarily as a result of a series of manufacturing, distribution and service delivery disruptions caused by unusually severe weather in the US," he said.

He remained optimistic that the full-year performance would reflect the company's record of consistent growth.

## Turner shares go ahead on sale report

By Martin Dickson

SHARES in Turner Broadcasting System, the cable television group founded by Mr Ted Turner, rose sharply yesterday as Wall Street reacted to fresh speculation that the company could be up for sale.

Turner's B shares rose 1 1/4% to stand at \$24 1/4 in early trading in New York.

A press report yesterday suggested that Time-Warner, the world's largest media group, and Tele-Communications, the largest cable operator in the US, could be discussing plans to divide many of Turner Broadcasting's assets between them. None of the three parties would comment.

Time and TCI each own about one-fifth of Turner Broadcasting's equity, having rescued the company from debt difficulties in 1987.

Mr Turner, with around 37 per cent of the equity, retains 56 per cent of the votes and thus control.

The fresh speculation follows rumours in February that Turner had been discussing a possible merger with other media companies.

## Dutch paper group posts profits down by 75%

By Ronald Van de Krol in Amsterdam

KNP BT, the big Dutch paper and packaging group created out of a three-way merger last month, saw net profits plummet by nearly 75 per cent in 1992, underlying the difficult market conditions facing the new company.

Combined pro forma net profit for the three merger partners - the Dutch companies KNP, Bührmann-Tetterode and VRG - fell to Fl 116m

(\$94.6m) from Fl 443m in 1991. If extraordinary items are excluded, net profit declined by 64 per cent to Fl 175m from Fl 498m a year earlier.

The three companies warned of falling profits in November when they announced plans to merge.

Overall, group operating profit was down 42 per cent at Fl 538m. Sales increased by 2.2 per cent to Fl 11.76bn.

KNP BT said yesterday there were few signs of improvement in its main markets.

## PepsiCo to increase its investment in Poland

By Christopher Bobinski in Warsaw

PEPSICO Foods International, which bought a controlling share in Poland's Wedel confectionery plant two years ago, is to increase its initial five-year investment commitment by 25 per cent, Mr Peter Robinson, Wedel chairman, told shareholders yesterday.

PFI originally paid \$25m for the Wedel company and promised to invest \$56m by the end

of 1996 to modernise and expand the confectionery business. The programme, now to be increased to \$70m, includes construction of a new salty snacks plant outside Warsaw.

Last year, Wedel saw sales increase by 52 per cent to 1,583bn zlotys (\$95.8m) and reported net profit 48 per cent up at 240.7bn zlotys, due partly to a tax holiday.

The shareholders approved an 8,000 zlotys-a-share dividend.

All of these securities having been sold, this announcement appears as a matter of record only.

## INSURANCE AND REINSURANCE COMPANY WARTA S.A. (TUJ WARTA S.A.)

00-697 Warszawa, Al. Jerozolimskie 65/79, Poland

has been privatised

30,000 Shares Issue Price PLZ 3.5 million

## PRIVATE PLACEMENT

arranged and underwritten by

POLISH DEVELOPMENT BANK S.A. (Polski Bank Rozwoju S.A.) 00-680 Warszawa, ul. Żurawia 47/49, Poland

February, 1993

All of these securities having been sold, this announcement appears as a matter of record only.

March 1993



35,200,000 Shares

## First Data Corporation

Common Stock

Global Coordinator

Lehman Brothers

5,500,000 Shares

Lehman Brothers International

Bear, Stearns International Limited

Credit Suisse First Boston Limited

Lazard Brothers &amp; Co., Limited

Merrill Lynch International Limited

Salomon Brothers International Limited

UBS Phillips &amp; Drew Securities Limited

S.G.Warburg Securities

ABN AMRO Bank N.V.

BNP Capital Markets Limited

Banca Commerciale Italiana

Credit Lyonnais Securities

Deutsche Bank

Dresdner Bank

Gruppo Banco Commerciale Italiano

Société Générale

B.M.O. Nesbitt Thomson Ltd.

Banque Indosuez

Barclays de Zoete Wadd Limited

Caisse des dépôts et consignations

Creditanstalt-Bankverein

Credito Italiano

Donaldson, Lufkin &amp; Jenrette

Fox-Pitt, Kelton N.V.

Generale Bank

Goldman Sachs International Limited

J.P. Morgan Securities Ltd.

Morgan Stanley International

Paribas Capital Markets

RBC Dominion Securities International

N.M. Rothschild &amp; Sons Limited

J. Henry Schroder Wagg &amp; Co. Limited

ScotiaMcLeod Inc.

Smith Barney, Harris Upham &amp; Co.

Smith New Court Securities Limited

Swiss Bank Corporation

Wood Gundy Inc.

This branch was offered in Europe.

27,500,000 Shares

Lehman Brothers

Bear, Stearns &amp; Co. Inc.

Donaldson, Lufkin &amp; Jenrette

The First Boston Corporation

Goldman, Sachs &amp; Co.

Lazard Frères &amp; Co.

Merrill Lynch &amp; Co.

Morgan Stanley &amp; Co.

Salomon Brothers Inc.

Smith Barney, Harris Upham &amp; Co.

Sanford C. Bernstein &amp; Co., Inc.

Dillon, Read &amp; Co. Inc.

A.G. Edwards &amp; Sons, Inc.

Robert Fleming Inc.

Hambrecht &amp; Quist

Kemper Securities, Inc.

Kidder, Peabody &amp; Co.

Montgomery Securities

J.P. Morgan Securities Inc.

Nomura Securities International, Inc.

Oppenheimer &amp; Co., Inc.

PaineWebber Incorporated

Prudential Securities Incorporated

Robertson, Stephens &amp; Company

UBS Securities Inc.

S.G.Warburg Securities

Wertheim Schroder &amp; Co.

Dean Witter Reynolds Inc.

Advest, Inc. Arnold and S. Bleichroeder, Inc.

Robert W. Baird &amp; Co.

William Blair &amp; Company

J. C. Bradford &amp; Co.

Cowen &amp; Company

First Manhattan Co. Furman Seligman &amp; Co., Inc.

Gruntal &amp; Co., Incorporated

Janney Montgomery Scott Inc.

Ladenburg, Thalmann &amp; Co. Inc.

Legg Mason Wood Walker

Mabon Securities Corp.

McDonald &amp; Company

Morgan Keegan &amp; Company, Inc.

Needham &amp; Company, Inc.

Piper Jaffray Inc.

Rauscher Pierce Refines, Inc.

Raymond James &amp; Associates, Inc.

The Robinson-Humphrey Company, Inc.

Rothschild Inc.

Stifel, Nicolaus &amp; Company

Sutro &amp; Co. Incorporated

Tucker Anthony

Wheat First Butcher &amp; Singer

M.R. Beal &amp; Company

Brean Murray, Foster Securities Inc.

The Chicago Corporation

Crowell, Weedon &amp; Co.

D. A. Davidson &amp; Co.

Doley Securities, Inc.

Dominick &amp; Dominick

Fahnestock &amp; Co. Inc.

First Albany Corporation

First Equity Corporation

Gabbell &amp; Company, Inc.

Interstate/Johnson Lane

Josephthal Lyon &amp; Ross

C.J. Lawrence Inc.

WR Lazard, Laidlaw &amp; Mead

Pennsylvania Merchant Group Ltd

The Principal/Eppler, Guerin &amp; Turner, Inc.

Pryor, McClendon, Counts &amp; Co., Inc.

-RAS Securities Corp.

Ragen MacKenzie

Muriel Siebert &amp; Co., Inc.

Martin Simpson &amp; Company, Inc.

SoundView Financial Group, Inc.

Unterberg Harris

This tranche was offered in the United States.

2,200,000 Shares

Lehman Brothers International

Jardine Fleming

Nomura International

The Development Bank of Singapore Ltd

Daewoo Securities (Europe) Limited

Daiwa Europe Limited

Nikko Europe plc

Ord Minnett Securities Limited

Yamaichi International (Europe) Limited

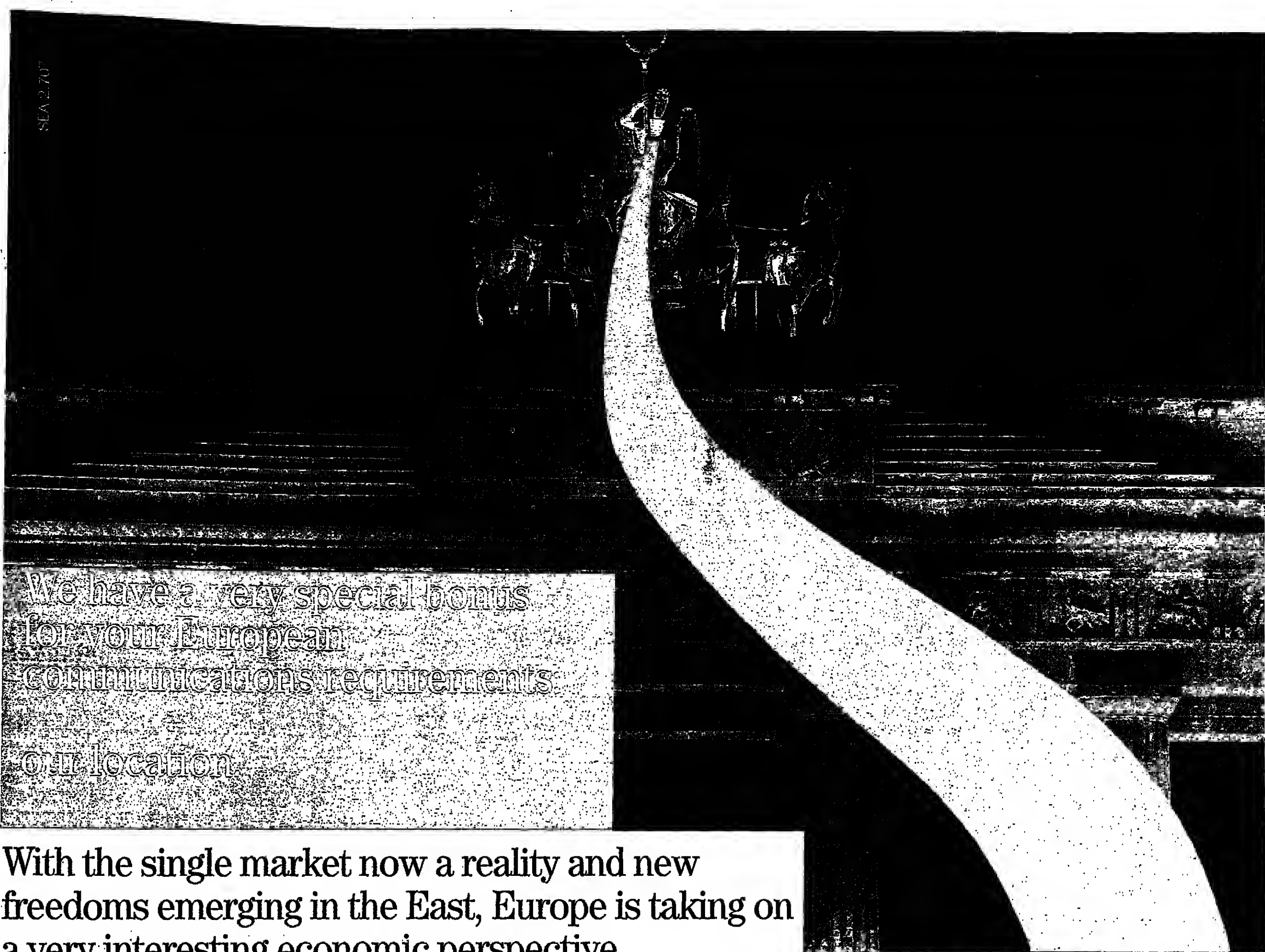
This tranche was offered in Asia.







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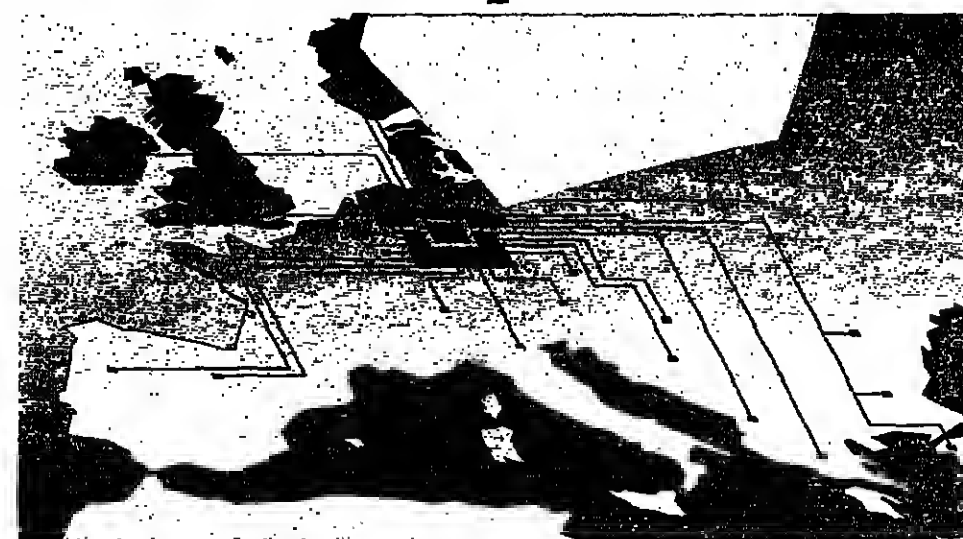


We have a very special bonus  
for your European  
communications requirements  
our location

With the single market now a reality and new freedoms emerging in the East, Europe is taking on a very interesting economic perspective.

For European companies as well as the rest of the world. However, one of the most important prerequisites for more effective and successful economic cooperation is obviously an efficient telecommunications system. Telekom is Europe's largest telecommunications company.

It has the most advantageous location in Europe. It is at home in Europe's biggest import and export market – the Federal Republic of Germany. And in our domestic market, we have established one of the world's most effective communications infrastructures. As a result, we provide international companies with communications networks, linking them to Germany, to Europe and to the world. We plan and organise tailor-made services and can offer complete solutions for any communications problem you might have. Just contact us. You will find us in all of the world's most important marketplaces. Communications Networks made in Germany.



We tie markets together.



Telekom



## INTERNATIONAL CAPITAL MARKETS

## Hopes of repo rate cut boost German government paper

By Richard Waters in London and Martin Dickson in New York

EUROPEAN bond markets rose strongly yesterday, spurred by weak economic data in Germany and hopes of a cut in the key German money market rate today.

Ten-year German government bonds jumped by half a point as a rumour swept the market that the Bundesbank had indicated to several institutions that it would accept bids as low as 8.05 per cent in today's 14-day repo tender. This compares with the 8.17 per cent at the last repo.

## GOVERNMENT BONDS

Several traders and analysts reported that institutions they had talked to and which were bidding in today's tender expected the repo rate to fall to 8.05 per cent or even 8.10 per cent today.

Seasonably-adjusted unem-

FT FIXED INTEREST INDICES									
	April 6	April 5	April 4	April 3	April 2	April 1	March 31	Year High	Year Low
10Yr Govt Bond	100.92	100.84	100.77	100.68	100.58	100.48	100.37	100.44	100.28
5Yr Govt Bond	100.78	100.69	100.62	100.52	100.42	100.32	100.21	100.28	100.15
3M Govt Bond	100.62	100.53	100.46	100.36	100.26	100.16	100.05	100.12	100.00
10Yr Corp Bond	100.82	100.73	100.66	100.56	100.46	100.36	100.25	100.32	100.10
5Yr Corp Bond	100.68	100.59	100.52	100.42	100.32	100.22	100.11	100.18	100.05
3M Corp Bond	100.52	100.43	100.36	100.26	100.16	100.06	99.95	100.02	99.90
10Yr High Yield	100.82	100.73	100.66	100.56	100.46	100.36	100.25	100.32	100.10
5Yr High Yield	100.68	100.59	100.52	100.42	100.32	100.22	100.11	100.18	100.05
3M High Yield	100.52	100.43	100.36	100.26	100.16	100.06	99.95	100.02	99.90

Source: FT Fixed Interest Indices. Data as at 11.00 am on April 6, 1993. All figures are in US dollars.

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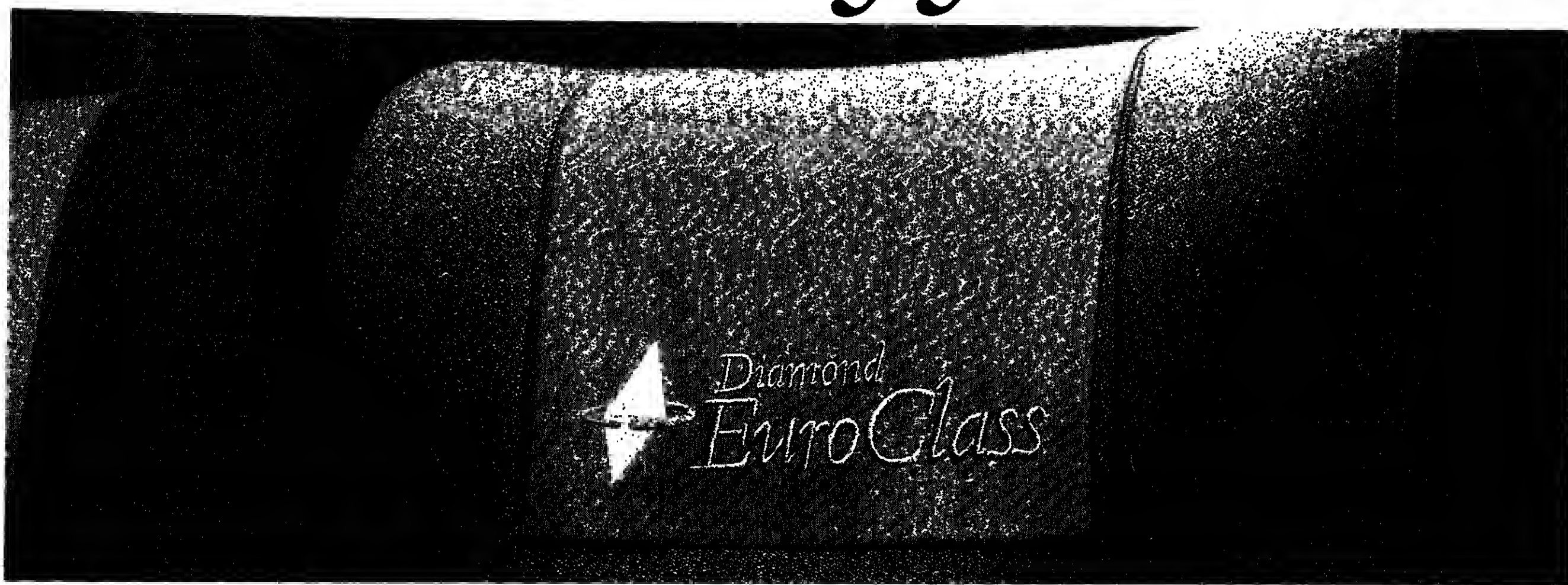
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BENCHMARK GOVERNMENT BONDS									
	Coupon	Red Date	Price	Change	Yield	Week	Month	Year	Age
AUSTRALIA	10.000	10/02	114.823	-0.010	7.77	7.71	7.51		
BELGIUM	8.000	03/03	110.560	-0.145	7.48	7.48	7.24		
CANADA	7.250	06/03	107.400	-0.200	7.82	7.82	7.31		
DENMARK	8.000	06/03	100.200	-0.200	7.97	7.97	7.51		
FRANCE	8.000	06/03	104.373	-0.213	8.04	8.04	7.63		
GERMANY	7.125	12/03	103.250	-0.480	6.84	6.84	6.54		
ITALY	11.500	03/03	91.650	-0.795	13.97	13.10	13.10		
IRELAND	1.800	06/09	103.020	-0.275	4.31	4.32			



sector to  
investors  
e of issues

# "You can't fly in Business Class and have a choice of fares."



## Oh yes you can.

For too long, flying Business Class has meant one, expensive, take-it-or-leave-it fare.

But enough is enough.

British Midland's new Diamond EuroClass offers a choice of Business Class fares for a choice of business needs—a fully flexible Executive Return, our innovative 3 Day Executive Return, and Eurobudget for trips with a flexible return time.

All three give Business Class passengers top class service in a separate cabin. All three entitle you to advanced seat assignment, priority check-in and priority disembarkation.

And all three save you serious amounts of money. Even the most expensive Diamond EuroClass fare will be no more than other airlines' normal Economy fares.

For example, you can save over £80 on a return trip to Amsterdam, more than £100 to Brussels, as much as £138 to Paris.

With a new 4-flights-every-week-day Heathrow to Frankfurt service launched on March 28th, British Midland Diamond EuroClass finally brings European Business Class travellers what they've been demanding for years.

Choice.

 **Diamond  
EuroClass**

From Heathrow To: EuroClass Executive EuroClass 3 Day Executive EuroClass Eurobudget Return Saving Return Saving Return Saving

AMSTERDAM	£26	£56	£84
BRUSSELS	£46	£76	£106
PARIS	£48	£78	£138
FRANKFURT	£36	£100	£121
DUBLIN	£48	£85	£83
NICE	£126	£172	£179
PALMA	£96	£134	£194

Compared to other airlines' full Business Class return fares.

**British Midland**  
THE SERIOUS ALTERNATIVE

lebt downgraded

INDICES



## COMPANY NEWS: UK

High exposure to German car producers but devaluation helps

## Laird improves to £36.2m

By Richard Gourlay

LAIRD GROUP, maker of car components and industrial products, yesterday reported sharply higher profits for 1992 as investments in plant that supplies new models came on stream.

Pre-tax profits rose from £21.3m to £36.2m, on sales up 16 per cent at £800.7m.

The results have been prepared on the basis of FR3 accounting principles.

Profits from continuing operations rose from £28.2m to £39.5m. Earnings on this basis rose 21 per cent to 20.8p.

Earnings per share under FR3 rose from 12.3p to 18.7p; the company has already declared a second interim of 6.3p, giving a total for the year of 10.5p, up 3 per cent.

The fall in volume should to some extent be offset by the increased value added of prod-

ucts being fitted to new models.

The big increase came in the sealing systems division where operating profits rose from £13.8m to £23m on sales up 26 per cent at £223.9m.

Industrial products, which are also mainly directed towards the auto industry, rose sharply to £15.5m (£13.7m) on sales up 17 per cent at £178m.

Profits in the service industries division, however, fell from £10.1m to £7.8m on sales up slightly at £178.8m.

The US printing operations suffered a setback and the group had to reorganise its plastics distribution division.

Following last year's rights issue, interest charges fell from £8.4m to £6.8m and gearing was about 10 per cent.

**COMMENT**  
On the face of it, Laird's markets look less than healthy. German car production could well be down 20 per cent this year. Even if the group is appearing on the "right" models, like the new Astra, VW and Peugeot, the group cannot avoid the effect of a slow down in car production elsewhere in Europe. What is more, Laird's



John Gardiner: lower demand in continental Europe this year

US sales indicate that the market is not recovering as robustly as some have suggested. As a result, profits are likely to be flat at £26m this year, giving earnings of 18.3p, stripping out the £5m settlement proceeds from a 10-year old litigation. This puts the shares on a market rating

of about 15 times. Laird is, however, one of the few motor component companies not to have recovery already factored into its share price. Should recovery not emerge on cue, the company's sound dividend and yield premium might yet look tempting for investors wanting exposure to motors.

## Lord Boardman to head Heron

By Vanessa Houlder, Property Correspondent

HERON International, the property and trading group that is in the final stages of a £1.4bn financial restructuring, has appointed Lord Boardman as non-executive chairman.

Lord Boardman, a former chairman of National Westminster Bank - which is a member of Heron's five-bank creditors steering committee - will take up his post once the restructuring is complete.

The appointment of a new chairman to replace Mr Gerald Ronson, the company's founder, was heralded last October when the company announced its outline restructuring proposals.

Mr Ronson, who will remain as chief executive, said: "I have worked with Lord Boardman in the past and I am delighted that someone of his obvious stature and experience will be joining the board as chairman."

Heron said it would shortly be making an announcement to bondholders about its refinancing. "The restructuring process continues to proceed well," it said.

Final proposals on the restructuring, which involve the conversion of debt to equity, were sent to the company's bankers in February.

The company also plans to appoint two new non-executive directors, who are acceptable to the banks' steering committee and to bondholder representatives.

The two existing non-executive directors, Mr Tony Royle and Mrs Gail Ronson, will retire on completion of the restructuring.

Heron's restructuring talks originally began in March 1992, after a downturn in its property portfolio and losses in its trading operations eroded its assets to a deficit of some £225m at March 31 1992.

## Manchester United scores 45% advance

By Jane Fuller

MANCHESTER United followed up a victory against football champions rivals Norwich City with the announcement yesterday of a 45 per cent increase in interim pre-tax profits.

Both sets of results helped push up the share price by a further 10p to 412p, a 46 per cent increase in the past six months and 27p ahead of the June 1991 flotation price.

With net spending on players reduced by nearly £2m to £285,000, pre-tax profits rose to £4.63m (£3.17m) in the six months to January 31. The purchase of Dion Dublin and Eric Cantona, for £1m each, was offset by the sale of Neil Webb, Mark Robins and Mal Donaghy.

Before transfer fees and interest income of £559,000 (£514,000), operating profit declined to £4.34m (£4.79m) on turnover of £13m (£12.4m). Mr Martin Edwards, chief executive, said the club had fared less well in cup competitions and played two fewer

home games. A breakdown of first-half sales showed a decline in gate receipts and ground advertising. The latter reflects the smaller television audiences for live Premier League football since its switch to BSkyB, the satellite broadcaster.

Television, shop and conference income all advanced. Mr Edwards said building work on the Stretford End of the Old Trafford ground had reduced capacity to 33,000 for the first part of the season. This had been offset by price increases averaging 30 per cent.

Capacity had gone up to 37,000, yielding £600,000 per game. Next season it would be 45,000, adding at least 10 per cent to match income even though prices were being held. All 46 of the new stand's executive boxes had been sold for the 1992-93 season.

After paying about half the £10m cost of the stand, United still had £9.8m (£12.8m) cash in the bank.

Earnings per share rose to 25.8p (17.9p) before switching

funds from the transfer fee reserve and 24p afterwards). The interim dividend is held at 6p.

**COMMENT**  
With twice as many games in the first half as the second, the bulk of United's 1992-93 profits are already in the bag. But some tantalising variables remain. One is the league championship, worth £850,000 to the winner and guaranteeing lucrative European football next season. Ironically the bonuses due to champions would make it more immediately profitable to come second or third. On the debit side, the purchase of another star player could keep full-year pre-tax profits flat at about £5m. This gives a prospective p/e of about 14, a sign that United is at last being taken seriously by the market. It deserves it for strong cash management and the increasingly slick exploitation of its stadium and brand. If it wins the championship the price could rise further, even after a run that would have done Ryan Giggs proud.

## Stagecoach gets £134m market value

By Peggy Hollinger

STAGECOACH, the Scottish-based company which operates bus services in the UK and Kenya, Malawi and New Zealand, is coming to the market via a placing and offer valuing the company at £134m.

Some 11.7m shares priced at 112p will be offered to the public and a further 21.8m will be placed with institutions. The company aims to raise some £20.5m to fund acquisitions.

The offer and placing have been fully underwritten by Noble Grossart.

Stagecoach, founded by a brother and sister team in 1980 to take advantage of the privatisation of Britain's bus services, forecast pre-tax profits at least 66 per cent

ahead to £12.8m for the year ended April 30.

Earnings per share are forecast to be not less than 7.8p for 1993. The company said the offer price represented a prospective p/e of 14.4.

The notional dividend of 3.8p for 1993 offered a yield of 4.2 per cent.

The allocation of the offer will be announced on April 20, and dealings are expected to commence on April 27.

Mr Brian Souter, chairman, and his sister Mrs Ann Gloag, managing director, will own 56 per cent of Stagecoach after flotation.

**COMMENT**  
The pricing of this issue has been finely tuned, leaving little chance of the stock

opening to what some have called a "monster premium". The UK businesses, considered to be the gold in the Stagecoach carriage, appear to be on a market rating. Looking further out, investors might find difficulty with marketability, since the industry is relatively unknown to the City. There are also questions about the quality of the overseas businesses and the UK regulatory environment, with the government already muttering about some industry practices. On the other hand, Mr Souter and Mrs Gloag have proven themselves to be class managers and, more importantly, have a successful track record. There is much to go for, with some 38 per cent of the UK bus market left to be privatised. The issue is almost certain to receive enthusiastic support.

ENTREPRENEURS Mr Tony Gartland and Mr Jeffrey Whalley are part of a team which yesterday set up a new group by bringing together a coil handling equipment maker and an optical products manufacturer for £24m.

The move is the first of significance made by the previously high-profile pair in their latest vehicle, the Gartland and Whalley company.

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Mr Gartland and Mr Whalley left executive employment

with FKI in 1989. Mr Whalley remains FKI chairman.

The new company, which the hackers hope to float within the next 12 months, acquired its main subsidiary, Coil Controls Group, for £20m cash. Mr Richard Williams, CCG chief executive is to be managing director.

The new group acquired the Slough-based Combined Optical Industries Ltd for more than £3m of equity. Gartland and Whalley bought COIL in 1990.

Total funding is made up of £10.5m senior debt supplied by Bank of Scotland. Gartland and Whalley contributed more than half of the £9.5m equity capital with Granville Development Capital making up the balance and Kleinwort Benson's European Mezzanine Fund contributing £4m.

## Gartland and Whalley set up new company

By Catherine Milton

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## David Brown share offer oversubscribed

The offer to the public of shares in David Brown Group, the Huddersfield gear manufacturer which is being floated with a market value of £90.3m, has been oversubscribed.

The level of subscription for the 7.7m shares at 170p and the basis of allocation will be announced today.

About 23m shares have been successfully placed with institutional investors by BZW.

Dealings are expected to begin on April 15.

The company's highest business is vehicle transmissions, supplying both the military and civil markets.

## RJB Mining brings flotation forward

By Roland Rude

RJB MINING, the Nottinghamshire-based coal mining group, has brought forward its flotation to May or June to take advantage of the impending privatisation of British Coal.

Mr Richard Budge, chief executive, said: "The planned flotation will help us expand the group's business at a time when there are significant opportunities for private mining companies to operate underground mines which BC will cease to run."

Before the government's recent white paper on coal, the

company was expected to float at the end of 1993 or the beginning of next year. The white paper said BC must license to the private sector any pits it does not want.

The flotation is expected to capitalise the company at more than £100m. In the year to December 31 it increased operating profits from £14.2m to £16.4m on sales of £73.9m.

RJB has signed a five-year contract to supply National Power and an interim agreement to supply PowerGen. Last year it produced 1.5m tonnes of coal, equivalent to about 10 per cent of UK opencast coal production.

## Midland Bank pay-offs

By John Gapper, Banking Correspondent

MIDLAND BANK paid £146m in severance to two directors who left last year, it was disclosed yesterday. Mr Gene Lockhart, head of group operations, received £736,658, and Mr George Louren, chief executive of Midland Montagu, £720,000.

The severance payment of Mr Lockhart, who was the highest paid British banker before he left Midland last July following its acquisition by HSBG Holdings, included £285,873 as a contribution to a bank pension scheme.

Mr Lockhart was paid £336,128 in 1991, while Mr Louren received between £120,000 and £425,000. Mr Lockhart returned to the US to become president of the First Manhattan Consulting Group after

leaving Midland.

The bank, which made a pre-tax profit of £178m (£36m) for 1992, paid £2.2m to directors during the year against £2.5m in 1991 following the departures of Mr Lockhart and Mr Louren.

Mr Brian Pearce, Midland's chief executive who joined the bank in the middle of 1991 from Barclays, was Midland's highest paid director, earning £242,393. Sir Peter Walters, Midland's chairman, was paid £200,000.

The earnings of Mr Andrew Longhurst, chief executive of Gellert & Gloucester Building Society, fell to £280,936 last year against £308,041 the previous year. The society did not pay a performance bonus to its directors.

Pre-tax profits at C&G, the sixth biggest society, fell to £130.6m (£183.8m) in 1992.

## DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Current dividend	Total for year	Total for year
Aegle	1.8p	June 9	3.1	1.975	5.85
Blatchley Motor	4.4p	June 9	4.1	8.8	8.2
City Centre Retail	1.12p	June 3	1.01	1.57	1.48
Coats Vytels	4.25p	May 18	4	7.25	7
Epwin	4.7p	July 2	4.5	8.21	8.8
FSB	2.5p	July 2	2	4.5	3.8
Frost	2.2p	July 2	0.887	4.03	0.867
Headman	1.25p	June 14	1.85	2.6	2.4
Independent News	10.5p	June 3	9	15.5	14
Intertech	6.05p	July 30	5.5	6.05	5.5
Ipsco	2.3p	June 11	2.2	3.8	3.4
Manchester Utd	8p	May 17	6	14	14
Melrose	5p	June 1	3	8	6.4
Norish	7p	May 25	7	11.47	11.47
North Brit Can	2.51p	June 25	2.35	3.45	3.25
Tesco	4.85p	July 1	4.3	7.1	6.3
TIP Europe	0.4p	May 14	0.54	1.4	1.4
Torday/Carsile	nil	June 3	3	nil	4.5
United Friendly	9.5p	May 20	8.1	14.5	12.3
Wilkes (James)	0.25p	May	5.25	3.5	10

Dividends shown pence per share net except where otherwise stated. \*On increased capital. †Equivalent after allowing for scrip issue. ‡SUSA stock. §In pence. ¶For 1992. No dividend proposed for current year. †Payment date brought forward; shareholders offered enhanced scrip alternative.

## Steering committee approves new figures for FT-SE indices

THE FT-SE Actuaries Share Indices Steering Committee yesterday approved the calculation of total return figures for the FT-SE 100, FT-SE Mid 250, FT-SE Actuaries 350, FT-SE SmallCap and FT-SE All-Share indices.

Daily publication of these figures in the FT will start on July 1.

Extracts from the committee's announcement follow:

"The total return figures will be able to take account of both price performance and income received from dividends and will provide a way for investors

to judge more accurately the return on their investments. The new figures will be calculated gross of tax and will assume that the dividend and tax credit are reinvested immediately on the ex-dividend date. The published ex-dividend data will also allow investors to calculate the figures net of tax.

"The figures will be calculated at the close of each trading day, and will be published in the Financial Times and on Topic.

"Donald Brydon, chairman of the committee, said: 'Investors, both professional and private,

will now be able to compare the overall performance of their investments with a recognised standard for the first time. The performance of fund managers is measured in terms of total return on investment, rather than purely in terms of price movements in the market, and the new figures reflect this."

"The method for calculating the total return indices was recommended by a working party set up by the Institute of Actuaries and the Faculty of Actuaries, chaired by Mr David Wilkie of R Watson & Son.

## Losses mount as SHT tries to cut debt

SCOTTISH HERITABLE Trust, the mini-conglomerate, yesterday announced pre-tax losses, including exceptional losses, of £3.03m for 1992.

This compares with a £782,000 pre-tax loss last year but does not include extraordinary charges of £14.9m (£18m). These included £3.2m in respect of goodwill attributable to businesses sold, where previously it had been written off to reserves at the time of acquisition.

The charges also includes provisions for losses made on the disposal since the start of

1993 of three companies and the write down of net assets of other group companies to their current market value.

The sale during 1992 of Standard Fireworks and hospital bed manufacturer Hoskins and non-consolidation in 1992 of turnover from Scottish Heritable Inc, contributed to a drop in turnover to £44.5m (£56.5m). There is no dividend.

The group's current level of debt is about £30m; its net assets are £4.7m. Mr Stuart Macdonald, chief executive, confirmed that gearing is currently about 600 per cent.

Mr Richard Hanwell, chairman, said that while the banks continued to support SHT they had made clear substantial additional reductions must be made in the near future. Two disposals, understood to be of US-based operations, are at an advanced stage of negotiation.

Mr Macdonald commented: "Our first objective has to be to get the debt down to an acceptable level and then see what is left."

Losses per share before extraordinary items were 14p (1.5p), and 55.6p (6.6p) including them.

## Isosceles restructure

By Roland Rude

MR DAVID SIMONS, chief executive of Isosceles, used the pressure of worried trade creditors to speed up the restructuring process.

If it had gone on much longer there was a risk that they might have refused to extend credit, knowing that Isosceles' debt standstill agreement runs out on May 28.

In the event Mr Simons believes the restructuring is as good as he could have got. Yet questions remain about Gateway's future performance.

The business plan forecasts that Gateway will record a £105m operating profit in the financial year to end-April, compared with a £187.4m profit in 1991-92. Profits are expected to fall again - by as much as £30m - before they recover.

Although the expected interest charge of between £40m and £45m will be easily met by operating profits, it remains a

drain on resources.

Last year the like-for-like sales decline was 6 per cent steepening to 8 per cent in the past two months. The sales reductions in the core Gateway stores was in low double figures.

Mr Simons blamed the sales decline on "competitive attrition". He conceded it was "horrible" but remained confident that it would get better. "We have five years in which to prove ourselves."

But most analysts do not believe there will be any significant improvement in the short-term.

The 1992-93 figures will also bear interest charges, including rolled up interest of £183m, and "kitchen sink" provisions covering restructuring, property write-downs, fees for the refinancing and other items, taking the pre-tax loss to £350m.

In response to the problems Mr Simons has reordered the


investment priorities within the company.

Most attention will focus on the 500 core Gateway stores. The Food Giant discount superstore chain will be doubled to about 40 stores, while the expansion of the Somerfield chain has been put on temporary hold.

Mr Simons' priority is to ensure the shops are properly stocked and pricing becomes more competitive. A rolling refurbishment programme of the main chain of stores is also underway.

He plans to merge most of the different business units within Gateway's head office in Bristol to make a more efficient organisation.

Even if the business plan proceeds as smoothly and efficiently as Mr Simons hopes, a possible flotation of the stores in three to five years is unlikely to raise more than £500m, although the company says it has no price in mind.



**United Friendly Group plc**

**RESULTS FOR THE YEAR ENDED 31 DECEMBER 1992**

- Pre-tax profits up 16.4% to £23.4 million.
- Earnings per share up 13.9% to 23.0 pence.
- Dividends per share for the year up by 17.9% to 14.5 pence.
- Premium income up 22% to £289 million.
- New life annual premiums up by 26% to £25.9 million.

	1992 £m	1991 £m
Premiums — Life	200.6	165.8
— General	88.1	71.7
Life business profits	11.2	10.7
General business underwriting loss	(1.9)	(4.0)
Shareholders other income and expenditure	14.1	13.4
Profit attributable to shareholders	18.9	15.6
Dividend per share	14.5p	12.3p
Earnings per share	23.0p	20.2p

The board recommends the payment of a final dividend of 9.6p per share to be paid on 20 May 1993 to shareholders on the register at the close of business on 29 April 1993. The notice for the annual general meeting to be held on 7 May 1993 and the 1992 annual report and accounts will be sent to shareholders on 13 April 1993. Copies of the annual report may be obtained from the Secretary.

United Friendly Group plc, 42 Southwark Bridge Road, London SE1 8HE  
Telephone: 071-928 5644 Fax: 071-261 9077

مكتبة النجف



## Reorganisation and disposal costs put Aegis £1.9m in red

By Gary Mead, Marketing Correspondent

AEGIS, the London-based holding company of Europe's largest media-buying and planning group, yesterday reported 1992 pre-tax losses of £1.9m, compared with restated profits of £4.4m.

The group's figures - which were produced under FR3 3 - were badly hit by £22m losses through reorganisation, and another £22m cost on the sale of discontinued activities.

Turnover increased 35 per cent to £2.84bn (£2.1bn). No final dividend will be paid, making 1.375p for the year (5.85p). No dividends on ordinary shares will be paid in 1993. Losses per share were 19.5p, compared with earnings

of 20.4p.

Net average debt was up from £35m to £58m at the end of the year.

Excluding interest, operating expenses in 1992 were £1,866m, or 4.9 per cent of turnover, against £1,202m (restated under FR3 3), or 5.7 per cent of turnover in 1991.

Aegis plans to reduce operating expenses this year to 1991's figure.

Operating margins were down at 6.7 per cent (8.5 per cent). Staff levels are due to fall again in 1993, from 1,550 to 1,460, and it is planned to further consolidate the group's offices, reducing them from 69 to 46 across Europe.

At June 1992 problems surfaced concerning Aegis' financial stability. Mr Peter Scott, its chairman, left and Sir

Frank Law took over. Sir Frank said yesterday that while the reorganisation costs were high, financial control had been restored to the company and that no further sizeable restructurings were planned.

Mr Charles Hochman, chief executive, said he believed the group had two distinct advantages over competitors, an established "qualitative system" to assist advertisers in media space more efficiently, and a genuine pan-European network.

Analysts are forecasting pre-tax profits of between £25m-£28m for 1993.

### COMMENT

While new managerial controls have been put in place at Aegis, there are considerable

uncertainties in its largest market, France, following the passage of the Loi Sapin Bill on March 31. In 1992 France was again Aegis' largest market by far, accounting for £791.5m of group turnover. But the Loi Sapin, aimed at bringing greater transparency to the French media-buying business, is likely to erode media-buying revenues by anything between 10 per cent and 40 per cent. The extent to which Aegis will suffer is as yet a matter of speculation. While analysts are forecasting a return to pre-tax profits in 1993, operating margins may shrink to just 2 per cent. However, 9 months ago it appeared that Aegis' acquisition-driven growth of the 1980s might result in the collapse of the company. That is no longer an immediate prospect.

## Torday & Carlisle £13m in red and passes dividend

By Chris Tighe

TORDAY & CARLISLE, the Newcastle-based engineering, yesterday announced a pre-tax loss of £13.3m for 1992 and passed its final dividend for the first time in a decade.

The result, which compared with profits of £25,000, was heavily influenced by exceptional items relating mainly to Oldham Signs, for which the group failed to find a buyer last year.

A provision of £8.21m for goodwill previously set off against reserves on the acquisition five years ago of Oldham was transferred to the profit and loss account, following reassessment of its underlying value.

The group stressed the transfer had no effect on shareholders' funds or group borrowings.

An exceptional charge of £3.47m for reorganisation costs included £2.6m for the restructuring, completed in late December, of the sign subsidiary.

Operating losses were £279,000 (profits of £1.44m) on turnover of £33.5m (£42.8m). Year end gearing rose to 169 per cent. Bank borrowing facilities have been agreed for 1993.

Shareholders' approval is to be sought "as soon as appropriate" for a reorganisation of parent company reserves, said to be necessary before a return to the dividend list.

Mr Paul Torday, chief executive, described 1992 as a "grim" year for the group and said it had decided it would be prudent to "take the hit" this year rather than be faced with write-offs should it sell Oldham in the future.

DMT, the engine repair business, made an operating profit of £1.1m (£2.2m); Elfab Hughes, which makes pressure relief and safety equipment, raised operating profits to £775,000 (£718,000).

Oldham Signs incurred an operating loss of £1.9m (£772,000); the operating loss on central costs was £679,000 (£661,000). The 1991 figures were restated to include central costs.

Mr Torday said he expected DMT and Elfab Hughes to trade profitably this year; the objective for Oldham, which is now exceeding sales targets, is to break even.

The final dividend of 10p makes 15.5p (14p) for the year. Fully diluted earnings per share increased 64 per cent to 32.67p (19.93p).

A 2-for-3 scrip issue is also proposed.

## Burmah to pay \$48m for ICI lubricants offshoot

By Andrew Bolger

BURMAH CASTROL, the lubricants, chemicals and fuels group, has agreed to pay \$48m (£31.7m) for Tribol, an ICI subsidiary which makes and markets industrial lubricants internationally.

Tribol, which employs about 300 people, has manufacturing plants in the US and Germany. It also has wholly owned operations in Canada, Chile, France, Italy, Mexico and Spain, as well as distributors in 50 other countries.

Burmah is funding the acquisition through a placing by Schroders of 4.5m new shares with institutions at 705p. Burmah's shares closed 16p lower at 732p.

Burmah said the acquisition

was not expected to dilute earnings and would complement the group's existing activities in industrial lubricants. It would fit particularly well with Optimol, the German speciality grease and lubricants manufacturer it bought in 1990.

Tribol was acquired by ICI in 1985 as part of the Beatrice Chemical purchase.

It is being sold by Zeneca, ICI's bioscience arm, which is about to be demerged. ICI said: "While Tribol is a strong business with a good reputation, it was not a strategic business for Zeneca Specialities and should have greater opportunity to flourish within Burmah Castrol."

Tribol had sales of \$53m last year and made pre-tax profits

of \$3.7m, which were depressed by exceptional restructuring costs of about \$1.3m. It had net assets of \$31m at the year-end.

Burmah said Tribol focused on products for arduous conditions in niche markets. Its main industries were in the mining, automotive, steel, cement and paper sectors. Its principal products were speciality greases, open-gear lubricants, gear oils, and chain and wire lubricants.

The industrial speciality lubricants market is worth an estimated \$1bn and is highly fragmented. Burmah said competitors tended to be only regional or nationally oriented, and the acquisition of Tribol would make the group a world leader in this sector.

## Expanded Frost jumps to £5.75m

By Richard Gourley

FROST GROUP, the independent petrol retailer that floated free of the Norfolk House receivership in 1991, yesterday reported a 78 per cent increase in earnings per share after a year in which it dramatically increased the number of new sites.

Pre-tax profits rose from £2.5m to £5.75m on sales up 50 per cent at £124m. Reported earnings per share before the February 1993 scrip issue rose from 13.4p to 23.8p.

The group added 57 new sites during the year, bringing the total to 143.

Mr James Frost, chairman, said low gearing would allow the group to continue to make

acquisitions. "1994 should either bring more sites at reasonable prices or a recovery in margins as new sites become more mature, or both," he said. He warned, however, that recession was not yet over, and that margins would remain under pressure. He anticipated that the forecast shop would in future replace the "familiar corner shop". The group would therefore place more emphasis on its shop facilities.

The final dividend is 2.2p, making a total of 4.03p after adjusting for the scrip, compared with 0.687p for the two months of the previous year that the group was quoted.

After the scrip, earnings rose from 4.4p to 7.9p.

## Ipeco suffers from lower interest rates

By Don Farrell

IPECO HOLDINGS, the South-east-on-Sea aerospace and defence equipment group, showed little overall change in 1992, with pre-tax profits of £3.5m, against £3.38m.

Sales rose from £18m to £19.9m and operating profit from £2.92m to £3.06m, but that was counterbalanced by a reduction from £458,000 to £224,000 in treasury operations as interest rates fell.

Earnings per share dipped to 7.72p (8.18p). Having regard to the continuing strength of the operating profit and ungeared balance sheet, the dividend is

stepped up from 3.4p to 3.6p, the final being 2.3p.

On the future Mr Christopher Johnson, chairman, believed the main part of order rescheduling activity by large aircraft makers had been completed, and the group now have some "reasonable confidence" in the delivery projections of the core aerospace equipment business.

There was evidence of increasing customer demand in the defence and aircraft maintenance and refurbishment activities, he said.

See People

## Independent Newspapers doubles to £16m

By Nathalie Lemoine

INDEPENDENT Newspapers, the Irish publishing group, yesterday announced pre-tax profits doubled from £7.97m to £16m for the year to December 25.

The outcome was struck after exceptional items of £1.23m (£5.37m) related to continuing rationalisation costs.

Turnover increased to £159.9m (£155.8m); operating profit jumped 45 per cent to £23.4m (£16.2m).

Higher advertising volumes increased the group's market share in Ireland as growth in circulation revenues also improved profitability of domestic newspaper operations.

In the UK, the publishing

side incurred a small loss but was now showing signs of improvement, said Mr Liam Healy, chief executive.

The results included a maiden six month contribution of £3.1m from Australian Provincial Newspapers, where the group increased its indirect interest to 20 per cent last July.

Net interest charges rose from £23.53m to £23.08m. The group said it would be relieved from bond servicing costs which amounted to £1.6m in 1992.

A final dividend of 10p makes 15.5p (14p) for the year. Fully diluted earnings per share increased 64 per cent to 32.67p (19.93p).

A 2-for-3 scrip issue is also proposed.

## The RTZ Corporation PLC NOTICE OF MEETING

### Annual general meeting

Notice is hereby given that the thirty-first annual general meeting of The RTZ Corporation PLC will be held at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1 on Wednesday 5 May 1993 at 11.00 am for the following purposes:

#### Special business

(1) To consider and, if thought fit, pass the following resolution which will be proposed as a special resolution, namely: "That the directors be and are hereby authorised to do all such things as they may think fit to do in connection with the exercise of the powers conferred by the Companies Act 1985 to exercise the power of altering the articles of association of the company, and to do all such things as they may think fit to do in connection with the exercise of the powers conferred by the Companies Act 1985 to exercise the power of altering the memorandum of association of the company, and to do all such things as they may think fit to do in connection with the exercise of the powers conferred by the Companies Act 1985 to exercise the power of altering the articles of association of the company, and to do all such things as they may think fit to do in connection with the exercise of the powers conferred by the Companies Act 1985 to exercise the power of altering the memorandum of 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## COMMODITIES AND AGRICULTURE

## Copper at lowest point since 1988

By Kenneth Gooding, Mining Correspondent

COPPER, THE ONE London Metal Exchange-traded metal to have remained buoyant despite recession in most of the world's industrialised countries, came under severe selling pressure yesterday and the price in US dollar terms dropped to its lowest point since June, 1988.

The price of copper for delivery in three months dropped by \$52 a tonne to close in London at \$2,090, some \$300 below the \$2,400 peak it reached earlier this year.

Mr William Adams, analyst at Rudolf Wolff, part of the Noranda natural resources group, said there was a substantial volume of selling from the Far East and by China yesterday which forced the copper price down through the psychologically-important \$2,100 a tonne level.

"However, with the US economic recovery still looking strong, it is difficult to get too bearish," he added. Mr Adams pointed out that LME option declarations are due today so "the markets are expected to be volatile".

Mr Neil Buxton, analyst at

## LME WAREHOUSE STOCKS

Tonnes	10.100	10.154,425
Aluminium	10.100	10.154,425
Copper	10.100	10.154,425
Lead	10.100	10.154,425
Nickel	10.100	10.154,425
Zinc	10.100	10.154,425
Tin	10.100	10.154,425

Metal Bulletin Research, said copper "has been defying economic gravity since the recession started and has the greatest potential of all the metals to fall".

He pointed out that every time the price seemed likely to fall some interruption to supply or Chinese buying came to the rescue.

"Will it be rescued again? It appears unlikely. Stocks are rising, there are no supply problems. We could see quite a sharp fall in price."

However, Mr Buxton said that as long as the price did not fall below 90 cents a lb, compared with 95 cents last night, the copper industry would go on making profits.

Copper is still quoted in sterling on the LME and three-month metal fell by another \$14.75 a tonne yesterday to close at \$1,400.75. In first two days this week the price has fallen by \$36.35 a tonne, or by nearly 2.5 per cent.

## Change in Russian diamond trade urged

By Leyla Boulton in Moscow

RUSSIA would make more from the diamond trade if it abandoned its right to sell 5 per cent of its production and put everything through De Beers' Central Selling Organisation (CSO), according to a senior Russian diamond industry executive.

Mr Sergei Ulin, a director of Almaz-Rossi Sakha (ARS), the state-dominated company which produces and markets Russian diamonds, believes "it's quite evident that changes are required".

In the past he has defended Russia's 1990 agreement with De Beers under which 95 per cent of rough diamond exports must go through the CSO.

"The world is very different from when we signed the agreement, and we are different too," Mr Ulin said. He now believes that the separate sale of 5 per cent - agreed so that Russia had a means of checking the price it was paid by De Beers - is undermining the CSO's "one-channel" system which aims to keep prices as high as possible.

Some parliamentarians and the State Committee for Precious Stones and Metals have on the contrary complained that 5 per cent is too little and that the sales are only allowed to Moscow.

"I don't believe that 5, 10, or 15 per cent, whether it is sold in Moscow or anywhere else, will give us the information which we would like to have," Mr Ulin said. It would be better for Russian representatives to attend De Beers' diamond sales or "rights" in London as did some other producers to ensure fair play.

He also clarified ARS's plans to overhaul, along market lines, the system whereby rough stones are sold to Russian-based diamond cutters. This will consist of holding rights for cutters, forcing them to buy a full range of stones, including difficult ones they are not used to cutting.

## Whisper of privatisation in the trees

James Buxton on the varied reactions to a review of the future of forestry in Britain

"NOTHING BUT good can come of it." That was the reaction of a senior figure in the forestry industry to last week's news that the government has set up an inter-departmental committee to review the future of forestry in Britain.

The committee, chaired by the Scottish Office but including civil servants from other ministries including the Treasury, is looking both at the future ownership of the Forestry Commission's woodlands, and at the effectiveness of government incentives for tree planting.

Many in British forestry think the government now has a chance to give the industry a new structure, by both privatising the Forestry Commission's 900,000 hectares of woodland and improving the incentives for tree planting.

But the Labour party and conservation groups fear privatisation would mean less access to woods for the public, and would weaken the drive

for "sensitive forestry". In British forestry 1988 was a watershed year. In the budget Mr Nigel Lawson, the chancellor, announced the abolition of tax incentives for tree planting and their replacement with greatly enhanced grants. People in forestry now admit that the old system had brought forestry into disrepute, with the planting of trees on the environmentally sensitive Flow country of Caithness in Scotland as a tax shelter for the wealthy being a final excess.

But since then the rate of tree planting has fallen from its all-time peak of 29,000 ha in the year to March 1988 to 17,300 ha in 1992 (the government's target of 33,000 ha a year has never been attained).

As a result, most trees are planted by private landowners, with the Forestry Commission planting only 3,000 ha in 1992. A greater proportion of newly planted trees, especially in England, are broad-leaved rather than conifers.

The forestry and timber industries would like to see more trees planted. Mr Peter Johnson, chairman of Tithill Economic Forestry, a Booker subsidiary, says: "Forestry is a wonderful industry. Trees grow twice as fast here than in most of the countries we import from. Our processing industry is state of the art. But we are being held back."

He would like to see changes in the tax regulations to encourage individual savers to invest in forestry, by granting forestry unit trusts the same tax treatment as forestry owners enjoy. "Productive timber is currently owned by fewer than 5,000 individuals in Britain. Yet 300,000 people make voluntary contributions for tree planting to the Woodland Trust. We need to create a vehicle through which they can make a return."

Mr Robert Rickman, a forestry specialist who is a director of Forestry Investment Management, a consultancy,

says forestry now has a chance to "shake off the stigmas of the past. It could be a successful industry but we cannot benefit from it because we don't have the right structure."

He is a strong advocate of privatising the Forestry Commission's woodlands. The commission split itself into two in 1992 with the Forestry Authority regulating planting and handing out grants, and the Forestry Enterprise running the commission's forests.

Privatisation, he and others believe, would generate efficiencies and free the Forestry Enterprise from stifling Treasury constraints. He now thinks privatisation would best be achieved by breaking up the estate and selling it in large geographically defined chunks, which would mostly be acquired by financial institutions, landowners and timber users.

Mr Rickman believes the Forestry Enterprise might be worth £1.5bn on the basis of

the real rate of return which he thinks it capable. Woods with high amenity value would be separated out and handed over to conservation bodies or local authorities.

Although the Ramblers Association last week was quick to voice its disapproval of privatisation, on the grounds that it threatened people's "freedom to roam", Mr Rickman says: "Public access on foot causes forestry owners no problems at all. The only problems might occur where the local gentry go shooting."

The Forestry Commission, based in Edinburgh and digesting its latest change of structure, is watching events with foreboding, but is unable to comment. It is aware that stripped of its woods, it would be a slender organisation.

Mr Robin Cutler, its chief executive, was formally head of forestry in New Zealand where commercial woods were privatised. He is said to have found it an unhappy experience.

## RTZ in Burundi nickel deal

By Kenneth Gooding, Mining Correspondent

RTZ, THE world's biggest mining company, might join the world's select few nickel miners via a long-term agreement signed in London yesterday with the Central African Republic of Burundi.

The agreement gives RTZ exploration and potential development rights to half of Burundi's prospective nickel belt which is 300km long and 40km wide in places.

This is the first agreement signed by the government of Burundi with a big mining company. However, Burundi is also having talks with Broken Hill Proprietary, Australia's biggest natural resources

group, about a potential exploration deal covering the other half of the nickel belt.

At present RTZ's only nickel interest is the Empress refinery in Zimbabwe which toll refines about 5,000 tonnes a year of the metal for ZIL, Botswana. An RTZ official pointed out that its exploration policy excluded no commodity but the group was interested only in world-class deposits. The deal with Burundi followed an RTZ review of the mining potential in African countries, carried out since 1990.

Most of the potential resources are nickel but Burundi also has deposits of gold, phosphate and industrial minerals such as kaolin and cement raw materials.

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market, 99.6 per cent, \$ per tonne, in warehouse, 1,640-1,700 (same).

BISMUTH: European free market, min. 99.99 per cent, \$ per lb, tonne lots in warehouse, 2,302-2,350 (same).

CADMIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse,

## MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market, 99.6 per cent, \$ per tonne, in warehouse, 1,640-1,700 (same).

BISMUTH: European free market, min. 99.99 per cent, \$ per lb, tonne lots in warehouse, 2,302-2,350 (same).

CADMIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse,

0.35-0.45 (same).

COBALT: European free market, 99.5 per cent, \$ per lb, in warehouse, 15,000-15,500 (15,500-16,000).

MERCURY: European free market, min. 99.99 per cent, \$ per 76 lb flask, in warehouse, 120-140 (same).

MOLYBDENUM: European free market, drummed molybdenum oxide, \$ per lb Mo, in warehouse, 2.30-2.35 (same).

SELENIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 4.70-5.40 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit (10 kg) WO<sub>3</sub>, cif, 31-43 (same).

VANADIUM: European free market, min. 98 per cent, \$ a lb V<sub>2</sub>O<sub>5</sub>, cif, 1.55-1.65 (same).

URANIUM: Nuxco exchange value, \$ per lb, U<sub>3</sub>O<sub>8</sub>, 7.45 (7.60).

## WORLD COMMODITIES PRICES

## MARKET REPORT

GOLD traded most of the day in a very narrow range on the London bullion market, apparently expecting a lead from Comex. But New York opened weaker before some commission house buying held it at the \$340 a troy ounce support point in early trading. One trader noted that the market was particularly nervous after several weeks of inactivity - as soon as there is a move, everybody tries to cover. London gold, silver and platinum prices ended slightly lower. Oil markets were also nervous after Kuwait said it would produce more than its quota if other Opec countries continued

to do so. The postponement of weekly API stocks data until today helped to rob the market of direction. On the LME copper's fall put NICKEL, ZINC and ALUMINIUM under pressure. Three-month aluminium fell to a 16-month low of \$1,126 a tonne, the 18,100-tonne rise in LME stocks underlining fundamental oversupply. Zinc's decline was cushioned by the recent production cuts in Mexico and Canada. London robusta COFFEE turned morning losses into gains as New York seemed content to head higher despite no fresh news. Compiled from Reuters

## London Markets

SPOT MARKETS	Close	Previous	High/Low
Crude oil (per barrel FOB May)	27.00	27.00	26.00
Dubai	27.00	27.00	26.00
Brent (Brent index)	27.00	27.00	26.00
WTI (WTI index)	27.00	27.00	26.00

Oil products	Close	Previous	High/Low
Plum prompt delivery per tonne CIF	27.00	27.00	26.00
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Other	Close	Previous	High/Low
Gold (per troy oz)	340.00	340.00	330.00
Silver (per troy oz)	16.00	16.00	15.00
Platinum (per troy oz)	500.00	500.00	490.00

Palladium (per troy oz)	\$114.50	-0.25
Copper (US Producer)	100.5c	-0.5
Lead (US Producer)	34.63c	
Tin (Kuala Lumpur market)	14.36r	
Tin (New York)	261.0c	
Zinc (US Producer)	28.50c	

Crude oil (per barrel FOB May)	Close	Previous	High/Low
Crude oil (per barrel FOB May)	27.00	27.00	26.00
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Crude oil (per barrel FOB May)	27.00	27.00	26.00
Crude oil (per barrel FOB May)	27.00	27.00	26.00

## COPPER - London POX

Close	Previous	High/Low
May	698	678
Jul	698	678
Sep	713	704
Dec	732	724
Mar	732	724
May	732	724
Jul	778	771
Sep	778	771

Turnover	2878 (2878) lots of 10 tonnes
ICE index	100.00
ICE index	100.00
ICE index	100.00

Turnover	2878 (2878) lots of 10 tonnes
ICE index	100.00
ICE index	100.00
ICE index	100.00

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ICE index	100.00
ICE index	100.00
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## LONDON METAL EXCHANGE

Aluminium, 99.7% purity (6 per tonne)	High/Low	Previous	Total daily turnover: 36,515 lots
Cash	1107.5-8.5	1117.5-8.5	1104.5-8.5
3 months	1130.5-1.0	1140.5-1.5	1135/1081
Copper, Grade A (2 per tonne)	1373.5-4.5	1388.5-5.5	1367/1368
Cash	1373.5-4.5	1388.5-5.5	1368-6
3 months	1405.5-1.0	1415-6	1400/1383
Lead (2 per tonne)	278.5-7.5	273.5-7.5	273-5.5
Cash	278.5-7.5	273.5-7.5	273-5.5
3 months	289-6.5	283-6.5	287/282.5
Nickel (2 per tonne)	609.5-4.0	610.5-4.0	609-4
Cash	609.5-4.0	610.5-4.0	609-4
3 months	609.5-4.0	610.5-4.0	609-4
Tin (2 per tonne)	5269.5-1.0	5269.5-1.0	5269.5-1.0
Cash	5269.5-1.0	5269.5-1.0	5269.5-1.0
3 months	5269.5-1.0	5269.5-1.0	5269.5-1.0
Zinc, Special High Grade (2 per tonne)	569.5-7.0	569.5-7.0	569.5-7.0
Cash	569.5-7.0	569.5-7.0	569.5-7.0
3 months	569.5-7.0	569.5-7.0	569.5-7.0







## INVESTMENT TRUSTS - Cont.

[illegible]

229	207	0.5	298.1	11.1
116	86	0.3	144.2	21.0
372	340	5.1	415.6	10.2
71	49	-	-	-
18	15	-	-	-
20	16	-	-	-
29	25	-	-	-
103	89	7.1	45.4	20.1
163	141	5.1	140.0	35.3
29	23	4.8	98.3	18.5
121	101	3.2	128.2	5.1
245	215	3.3	186.0	-
105	103	6.3	186.0	-3.5
23	20	-	-	-
289	176	6.0	229.9	16.5
121	121	-	-	-
21	20	-	-	-
43	40	6.0	51.7	29.7
21	21	-	-	-
24	24	-	-	-

94	77	10.5	66.5	12.4
100	72	7.9	98.1	12.6
29	27	1.3	87.7	29.9
33	27	-	-	-
14	8	-	-	-

354	178	4.9	123.9	8.8
355	178	4.8	123.9	74.8
356	178	4.8	123.9	74.8
357	178	4.8	123.9	74.8
358	178	4.8	123.9	74.8
359	178	4.8	123.9	74.8
360	178	4.8	123.9	74.8
361	178	4.8	123.9	74.8
362	178	4.8	123.9	74.8
363	178	4.8	123.9	74.8
364	178	4.8	123.9	74.8
365	178	4.8	123.9	74.8
366	178	4.8	123.9	74.8
367	178	4.8	123.9	74.8
368	178	4.8	123.9	74.8
369	178	4.8	123.9	74.8
370	178	4.8	123.9	74.8
371	178	4.8	123.9	74.8
372	178	4.8	123.9	74.8
373	178	4.8	123.9	74.8
374	178	4.8	123.9	74.8
375	178	4.8	123.9	74.8
376	178	4.8	123.9	74.8
377	178	4.8	123.9	74.8
378	178	4.8	123.9	74.8
379	178	4.8	123.9	74.8
380	178	4.8	123.9	74.8
381	178	4.8	123.9	74.8
382	178	4.8	123.9	74.8
383	178	4.8	123.9	74.8
384	178	4.8	123.9	74.8
385	178	4.8	123.9	74.8
386	178	4.8	123.9	74.8
387	178	4.8	123.9	74.8
388	178	4.8	123.9	74.8
389	178	4.8	123.9	74.8
390	178	4.8	123.9	74.8
391	178	4.8	123.9	74.8
392	178	4.8	123.9	74.8
393	178	4.8	123.9	74.8
394	178	4.8	123.9	74.8
395	178	4.8	123.9	74.8
396	178	4.8	123.9	74.8
397	178	4.8	123.9	74.8
398	178	4.8	123.9	74.8
399	178	4.8	123.9	74.8
400	178	4.8	123.9	74.8

255	230	42	247.3	-21
256	230	27.9		
257	1050		-204.4	-24.1
301.2	32	16.8		
301.7	17	19.3		-63.0
302	164	6.5	104.4	78.6
303	144	44	13.1	94.5
303.2	44			27.1
311.2	469.4			
311.7	469.4			27
312	15		-36.7	92.9
313	43	104.4	58.3	22.2
314	58			
315	43	108.9	1.5	
316.4	108.9	22.2		
317	340		-544.8	20.8
317.1	194	3.5	201.3	15.3
317.2	194	3.5	204.4	15.3
317.3	47		-63.0	20.1
317.4	67	6.2	91.0	18.4
318	11			
319	270	0.1	382.0	5.0
320	179			
320.2	179		-939.0	23.8
320.3	179		4.7	146.4
321	8			
321.2	21	5.8	236.6	0.8
321.3	18			
321.4	18		11.8	99.7
322	18			
323	18			
324	81		-4.5	106.7
325	14			

181	158	18.4	-	-
174	197	-	217.8	26.7
323	295	2.3	342.9	5.5
498	383	21	465.9	14.3
323	295	4.8	133.9	-6.2
44	28	-	-	-
733	110	4.1	-	-
49	38	-	-	-
122	105	4.3	117.1	-3.0
36	22	-	-	-
191	28	8.2	39.1	-29.5
140	110	17	185.3	13.4
2165	1174.7	0.6	50.8	13.4
17	41	0.6	50.8	13.4
315	292	4.4	308.5	6.5
315	292	4.4	308.5	6.5
314	295	4.8	308.8	6.5
315	292	4.4	308.5	6.5
312	283	17	333.8	16.4
336	258	-	-	-
106	88	7.3	-	-
88	73	-	178.7	40.8
3089	2750	4.6	46298.0	-0.4
3089	2750	4.6	46298.0	-0.4
290	230	5.3	300.0	21.1

80	98	—	89.9	14.1
75	10	—	—	—
2100 <sup>1</sup>	5100 <sup>2</sup>	—	8.6	61.7
77	50	—	0.0	18.0
59	37	—	—	—
—	—	—	81.8	28.8
69	30	—	16.1	65.1
—	—	—	—	—
—	—	—	144.5	66.5
71	74	—	—	—
17	116	—	2.2	145.3
10	—	—	—	—
—	—	—	37.8	18.3
10 <sup>2</sup>	—	—	—	—
—	—	—	4.3	119.5
222	103	—	—	—
—	—	—	286.3	24.1
10	87	—	13.5	9.5
118	138	—	—	—
—	—	—	1.2	347.6
398	240	—	—	—
—	—	—	84.4	224.5
302	283	—	—	—
204	187	—	—	—
—	—	—	0.5	38.7
9	7	—	—	—
448	40	—	2.2	179.5
81	—	—	—	—
128	58	—	1.3	193.5
—	—	—	7.7	479.3
117	157	—	3.3	255.3
118	108	—	1.2	169.5
217 <sup>1</sup>	5100 <sup>2</sup>	—	—	—
58	87	—	—	—
—	—	—	82.1	1.1

125	114	6.5	15.0	24.1
126	114	6.5	15.0	24.1
118	100	8.8	45.8	45.8
119	100	27	45.8	45.8
123	11	-	-	-
131	81	11.1	102.8	14.9
127	13	-	-	-
129	91	0.8	30.0	23.6
120	10	-	-	-
125	108	16.1	-	-
83	88	-	778.5	80.4
11	1	-	-	-
104	17	4.7	-	-
105	4	4.3	117.9	4.3
112	25	-	-	-
113	60	-	-	-
86	28	-	123.8	69.3
11	1	-	-	-
785	271	-	-	-
786	214	4.8	380.5	11.7
148	128	14.3	-	-
119	71	-	-	-
134	123	-	234.8	52.5
270	186	28.8	-	-
177	169	-	1180.0	25.8
177	147	0.0	245.1	31.9
167	186	0.5	-	-
208	181	-	-	-
208	160	-	-	-
149	131	-3.8	183.3	15.0
149	131	-	94.4	4.8
133	228	-	-	-

51 74 692 2.7 62.9 13.8



**MINES - Cont.**

256	+	318	81	878	
257	-7	214	222	851	176.9
258	-9	255	255	856	178.5
259	-1	255	255	856	178.5
260	-1	255	255	856	178.5
261	-1	255	255	856	178.5
262	-1	255	255	856	178.5
263	-1	255	255	856	178.5
264	-1	255	255	856	178.5
265	-1	255	255	856	178.5
266	-1	255	255	856	178.5
267	-1	255	255	856	178.5
268	-1	255	255	856	178.5
269	-1	255	255	856	178.5
270	-1	255	255	856	178.5
271	-1	255	255	856	178.5
272	-1	255	255	856	178.5
273	-1	255	255	856	178.5
274	-1	255	255	856	178.5
275	-1	255	255	856	178.5
276	-1	255	255	856	178.5
277	-1	255	255	856	178.5
278	-1	255	255	856	178.5
279	-1	255	255	856	178.5
280	-1	255	255	856	178.5
281	-1	255	255	856	178.5
282	-1	255	255	856	178.5
283	-1	255	255	856	178.5
284	-1	255	255	856	178.5
285	-1	255	255	856	178.5
286	-1	255	255	856	178.5
287	-1	255	255	856	178.5
288	-1	255	255	856	178.5
289	-1	255	255	856	178.5
290	-1	255	255	856	178.5
291	-1	255	255	856	178.5
292	-1	255	255	856	178.5
293	-1	255	255	856	178.5
294	-1	255	255	856	178.5
295	-1	255	255	856	178.5
296	-1	255	255	856	178.5
297	-1	255	255	856	178.5
298	-1	255	255	856	178.5
299	-1	255	255	856	178.5
300	-1	255	255	856	178.5

7.7	MEM
7.9	Motor

20	28	1	27	18	14	7
21	17	1	27	18	14	7
22	17	1	27	18	14	7
23	17	1	27	18	14	7
24	117	1	128	81	50	50
25	117	1	128	81	50	50
26	117	1	128	81	50	50
27	117	1	128	81	50	50
28	117	1	128	81	50	50
29	117	1	128	81	50	50
30	117	1	128	81	50	50
31	117	1	128	81	50	50
32	117	1	128	81	50	50
33	117	1	128	81	50	50
34	117	1	128	81	50	50
35	117	1	128	81	50	50
36	117	1	128	81	50	50
37	117	1	128	81	50	50
38	117	1	128	81	50	50
39	117	1	128	81	50	50
40	117	1	128	81	50	50
41	117	1	128	81	50	50
42	117	1	128	81	50	50
43	117	1	128	81	50	50
44	117	1	128	81	50	50
45	117	1	128	81	50	50
46	117	1	128	81	50	50
47	117	1	128	81	50	50
48	117	1	128	81	50	50
49	117	1	128	81	50	50
50	117	1	128	81	50	50
51	117	1	128	81	50	50
52	117	1	128	81	50	50
53	117	1	128	81	50	50
54	117	1	128	81	50	50
55	117	1	128	81	50	50
56	117	1	128	81	50	50
57	117	1	128	81	50	50
58	117	1	128	81	50	50
59	117	1	128	81	50	50
60	117	1	128	81	50	50
61	117	1	128	81	50	50
62	117	1	128	81	50	50
63	117	1	128	81	50	50
64	117	1	128	81	50	50
65	117	1	128	81	50	50
66	117	1	128	81	50	50
67	117	1	128	81	50	50
68	117	1	128	81	50	50
69	117	1	128	81	50	50
70	117	1	128	81	50	50
71	117	1	128	81	50	50
72	117	1	128	81	50	50
73	117	1	128	81	50	50
74	117	1	128	81	50	50
75	117	1	128	81	50	50
76	117	1	128	81	50	50
77	117	1	128	81	50	50
78	117	1	128	81	50	50
79	117	1	128	81	50	50
80	117	1	128	81	50	50
81	117	1	128	81	50	50
82	117	1	128	81	50	50
83	117	1	128	81	50	50
84	117	1	128	81	50	50
85	117	1	128	81	50	50
86	117	1	128	81	50	50
87	117	1	128	81	50	50
88	117	1	128	81	50	50
89	117	1	128	81	50	50
90	117	1	128	81	50	50
91	117	1	128	81	50	50
92	117	1	128	81	50	50
93	117	1	128	81	50	50
94	117	1	128	81	50	50
95	117	1	128	81	50	50
96	117	1	128	81	50	50
97	117	1	128	81	50	50
98	117	1	128	81	50	50
99	117	1	128	81	50	50
100	117	1	128	81	50	50

4.7	6.3	Estimated
3.9	6.7	accounts
4.8	7.7	

[illegible]

117	272.5	4.0	90%
87	233.0	±	An

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1 873 4378

[illegible]



مكثا من الأهل



هكذا من الأصيل

JERSEY (REGULATED)	Fund Name	Assets	NAV	YTD	1Y	3Y	5Y	10Y	20Y									
ABF Fund Managers (UK) Ltd																		
ABF 100% US Equity																		
ABF 100% UK Equity																		
ABF 100% Europe																		
ABF 100% Asia																		
ABF 100% Australia																		
ABF 100% Japan																		
ABF 100% Latin America																		
ABF 100% Middle East																		
ABF 100% Russia																		
ABF 100% South America																		
ABF 100% Africa																		
ABF 100% Europe																		
ABF 100% Asia																		
ABF 100% Australia																		
ABF 100% Japan																		
ABF 100% Latin America																		
ABF 100% Middle East																		
ABF 100% Russia																		
ABF 100% South America																		
ABF 100% Africa																		
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## CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

## D-Mark weaker on rate hopes

THE D-MARK was weaker against the dollar and most European currencies yesterday amid expectations that the Bundesbank would cut the rate at which it offers wholesale funds to commercial banks in its weekly market operation, writes James Blyth.

The Bundesbank yesterday announced a variable rate repurchase agreement - or repo - in this week's tenders. The lowest accepted rate last week was 8.17 per cent and there were strong expectations yesterday that the rate would be cut today to 8.10 per cent or lower.

Poorer-than-expected economic indicators in Germany also raised expectations that the Bundesbank would veer on the side of easing monetary policy today.

The unemployment level in western Germany in March rose by an adjusted 70,000 last month when the market had been expecting a 45,000 rise. Industrial orders for February were down 2.2 per cent on the month, when the market had been expecting a small net increase.

After drifting lower against the German currency on Monday, the dollar closed stronger, it closed

at DM1.6125, up nearly 1% from the day before.

However, some analysts continued to be bearish for the US currency in the medium term.

The economic team at James Capel in London says the dollar's pull run is at an end for the time being. Their economists suggest that the recent break through the DM1.60 level should lead to a fall to DM1.54 and, if this level fails to hold, to DM1.51.

However, they also believe the prospect of higher US inflation in the second half of 1993 might lead to higher short-term US interest rates and a rise to DM1.80 by the year-end.

The prospects of lower German rates also gave another lift to the French franc, which broke through the FF3.30 level against the D-Mark in the European morning and spent much of the day on firm ground. The franc closed in London at FF3.384 from a previous 3.380.

Sterling also enjoyed a strong performance against the D-Mark, closing up 1/4 pence at DM2.4425.

## EMS EUROPEAN CURRENCY UNIT RATES

Currency	Unit	% Change	% of D-Mark	Difference
Spanish Peseta	166.64	-0.22	2.62	38
Italian Lira	2036.27	-0.22	1.39	10
French Franc	6.5595	-0.22	1.29	10
Portuguese Escudo	200.48	-0.22	0.94	4
Irish Punt	7.8756	-0.22	0.94	4
Belgian Franc	36.3636	-0.22	0.94	4
German Mark	1.0000	-0.22	0.94	4
Swiss Franc	2.0000	-0.22	0.94	4

For central rates see the European Central Bank. For the D-Mark, the rate is fixed at 1.0000. For the other currencies, the rate is fixed at the rate of the D-Mark. The difference is the difference between the rate of the D-Mark and the rate of the other currency. The difference is the difference between the rate of the D-Mark and the rate of the other currency.

## £ IN NEW YORK

Apr 6	Low	High	Prev
1 month	1.5155-1.5165	1.5205-1.5215	1.5205
3 months	1.5155-1.5165	1.5205-1.5215	1.5205
6 months	1.5155-1.5165	1.5205-1.5215	1.5205
12 months	1.5155-1.5165	1.5205-1.5215	1.5205

Forward premiums and discounts apply to the US dollar.

## STERLING INDEX

Apr 6	Low	High	Prev
0.30	79.7	79.8	79.8
0.40	79.7	79.8	79.8
0.50	79.7	79.8	79.8
0.60	79.7	79.8	79.8
0.70	79.7	79.8	79.8
0.80	79.7	79.8	79.8
0.90	79.7	79.8	79.8
1.00	79.7	79.8	79.8
1.10	79.7	79.8	79.8
1.20	79.7	79.8	79.8
1.30	79.7	79.8	79.8
1.40	79.7	79.8	79.8
1.50	79.7	79.8	79.8
1.60	79.7	79.8	79.8
1.70	79.7	79.8	79.8
1.80	79.7	79.8	79.8
1.90	79.7	79.8	79.8
2.00	79.7	79.8	79.8
2.10	79.7	79.8	79.8
2.20	79.7	79.8	79.8
2.30	79.7	79.8	79.8
2.40	79.7	79.8	79.8
2.50	79.7	79.8	79.8
2.60	79.7	79.8	79.8
2.70	79.7	79.8	79.8
2.80	79.7	79.8	79.8
2.90	79.7	79.8	79.8
3.00	79.7	79.8	79.8

## CURRENCY RATES

Currency	Unit	% Change	% of D-Mark	Difference
US Dollar	1.0000	-0.22	0.94	4
Japanese Yen	100.00	-0.22	0.94	4
Swiss Franc	2.0000	-0.22	0.94	4
French Franc	6.5595	-0.22	0.94	4
Italian Lira	2036.27	-0.22	0.94	4
Spanish Peseta	166.64	-0.22	0.94	4
Portuguese Escudo	200.48	-0.22	0.94	4
Irish Punt	7.8756	-0.22	0.94	4
Belgian Franc	36.3636	-0.22	0.94	4
German Mark	1.0000	-0.22	0.94	4
Swiss Franc	2.0000	-0.22	0.94	4

## CURRENCY MOVEMENTS

Currency	Unit	% Change	% of D-Mark	Difference
US Dollar	1.0000	-0.22	0.94	4
Japanese Yen	100.00	-0.22	0.94	4
Swiss Franc	2.0000	-0.22	0.94	4
French Franc	6.5595	-0.22	0.94	4
Italian Lira	2036.27	-0.22	0.94	4
Spanish Peseta	166.64	-0.22	0.94	4
Portuguese Escudo	200.48	-0.22	0.94	4
Irish Punt	7.8756	-0.22	0.94	4
Belgian Franc	36.3636	-0.22	0.94	4
German Mark	1.0000	-0.22	0.94	4
Swiss Franc	2.0000	-0.22	0.94	4

## OTHER CURRENCIES

Currency	Unit	% Change	% of D-Mark	Difference
US Dollar	1.0000	-0.22	0.94	4
Japanese Yen	100.00	-0.22	0.94	4
Swiss Franc	2.0000	-0.22	0.94	4
French Franc	6.5595	-0.22	0.94	4
Italian Lira	2036.27	-0.22	0.94	4
Spanish Peseta	166.64	-0.22	0.94	4
Portuguese Escudo	200.48	-0.22	0.94	4
Irish Punt	7.8756	-0.22	0.94	4
Belgian Franc	36.3636	-0.22	0.94	4
German Mark	1.0000	-0.22	0.94	4
Swiss Franc	2.0000	-0.22	0.94	4

## MONEY MARKETS

## An easier atmosphere

THERE was an easier atmosphere in European cash and futures markets yesterday after the Bundesbank announced that it would be offering wholesale funds to commercial banks this week at variable rates, writes James Blyth.

The Bundesbank said that it would offer a variable rate repurchase agreement - or repo - in this week's tenders for 14 days and 35 days. The lowest accepted rate last week was 8.17 per cent. There were strong expectations that the rate would be shaved to around 8.10 per cent this morning or even to 8.05 per cent.

UK clearing bank base lending rate 6 per cent from 26 January 1993

News of the variable rate offer had a positive effect on German cash and futures markets. The interest rate on German call money dropped to about 8.15 per cent, helped by adequate reserves among German banks.

Euromark contracts were higher right across the board. The June contract rose 7 basis points on the day to close at 92.84, while the September contract also rose 7 basis points to close at 93.74.

In spite of this more optimistic mood, there was talk that some banks might

offer to buy funds at comparatively high rates to be sure of getting adequate liquidity. This is only the second month of the Bundesbank's new and less rigid minimum reserve requirements and some banks are concerned not to fall foul of the new arrangements.

The announcement of the variable rate repo had a positive impact on French markets.

One month French francs fell from about 10.25 per cent at the start of the day to 10 per cent by the close. Three-month money also fell from about 9.75 per cent to about 9.5 per cent, bringing the spread between 3-month D-Marks and 3-month French francs down to 156 basis points.

The June French franc futures contract closed 3 basis points higher on the day at 91.80. There are strong expectations that the Bank of France will bring down the interest rate on its 5-10 day lending window, currently at 12 per cent tomorrow.

Cash rates in the sterling money markets softened again on an easier day in the discount market. The Bank of England forecast a shortage of £850m. Three-month discount rates closed at around 5 1/2 per cent having been at 5 1/4 per cent on Monday night.

## FINANCIAL FUTURES AND OPTIONS

## LIVE LONG MARCH FUTURES

Contract	Open	High	Low	Prev
100	104.10	104.10	104.10	104.10
101	104.10	104.10	104.10	104.10
102	104.10	104.10	104.10	104.10
103	104.10	104.10	104.10	104.10
104	104.10	104.10	104.10	104.10
105	104.10	104.10	104.10	104.10
106	104.10	104.10	104.10	104.10
107	104.10	104.10	104.10	104.10
108	104.10	104.10	104.10	104.10
109	104.10	104.10	104.10	104.10
110	104.10	104.10	104.10	104.10

## LIVE LONG MARCH FUTURES

Contract	Open	High	Low	Prev
100	104.10	104.10	104.10	104.10
101	104.10	104.10	104.10	104.10
102	104.10	104.10	104.10	104.10
103	104.10	104.10	104.10	104.10
104	104.10	104.10	104.10	104.10
105	104.10	104.10	104.10	104.10
106	104.10	104.10	104.10	104.10
107	104.10	104.10	104.10	104.10
108	104.10	104.10	104.10	104.10
109	104.10	104.10	104.10	104.10
110	104.10	104.10	104.10	104.10

## LIVE LONG MARCH FUTURES

Contract	Open	High	Low	Prev
100	104.10	104.10	104.10	104.10
101	104.10	104.10	104.10	104.10
102	104.10	104.10	104.10	104.10
103	104.10	104.10	104.10	104.10
104	104.10	104.10	104.10	104.10
105	104.10	104.10	104.10	104.10
106	104.10	104.10	104.10	104.10
107	104.10	104.10	104.10	104.10
108	104.10	104.10	104.10	104.10
109	104.10	104.10	104.10	104.10
110	104.10	104.10	104.10	104.10

## LIVE LONG MARCH FUTURES

Contract	Open	High	Low	Prev
100	104.10	104.10	104.10	104.10
101	104.10	104.10	104.10	104.10
102	104.10	104.10	104.10	104.10
103	104.10	104.10	104.10	104.10
104	104.10	104.10	104.10	104.10
105	104.10	104.10	104.10	104.10
106	104.10	104.10	104.10	104.10
107	104.10	104.10	104.10	104.10
108	104.10	104.10	104.10	104.10
109	104.10	104.10	104.10	104.10
110	104.10	104.10	104.10	104.10

## LIVE LONG MARCH FUTURES

Contract	Open	High	Low	Prev
100	104.10	104.10	104.10	104.10
101	104.10	104.10	104.10	104.10
102	104.10	104.10	104.10	104.10
103	104.10	104.10	104.10	104.10
104	104.10	104.10	104.10	104.10
105	104.10	104.10	104.10	104.10
106	104.10	104.10	104.10	104.10
107	104.10	104.10	104.10	104.10
108	104.10	104.10	104.10	104.10
109	104.10	104.10	104.10	104.10
110	104.10	104.10	104.10	104.10

## LIVE LONG MARCH FUTURES

Contract	Open	High	Low	Prev
100	104.10	104.10	104.10	104.10
101	104.10	104.10	104.10	104.10
102	104.10	104.10	104.10	104.10
103	104.10	104.10	104.10	104.10
104	104.10	104.10	104.10	104.10
105	104.10	104.10	104.10	104.10
106	104.10	104.10	104.10	104.10
107	104.10	104.10	104.10	104.10
108	104.10	104.10	104.10	104.10
109	104.10	104.10	104.10	104.10
110	104.10	104.10	104.10	104.10

## LIVE LONG MARCH FUTURES

Contract	Open	High	Low	Prev
100	104.10	104.10	104.10	104.10
101	104.10	104.10	104.10	104.10
102	104.10	104.10	104.10	104.10
103	104.10	104.10	104.10	104.10
104	104.10	104.10	104.10	104.10
105	104.10	104.10	104.10	104.10
106	104.10	104.10	104.10	104.10
107	104.10	104.10	104.10	104.10
108	104.10	104.10	104.10	104.10
109	104.10	104.10	104.10	104.10
110	104.10	104.10	104.10	104.10

## LIVE LONG MARCH FUTURES

Contract	Open	High	Low	Prev
100	104.10	104.10	104.10	104.10
101	104.10	104.10	104.10	104.10
102	104.10	104.10	104.10	104.10
103	104.10	104.10	104.10	104.10
104	104.10	104.10	104.10	104.10
105	104.10	104.10	104.10	104.10
106	104.10	104.10	104.10	104.10
107	104.10	104.10	104.10	104.10
108	104.10	104.10	104.10	104.10
109	104.10	104.10	104.10	104.10
110	104.10	104.10	104.10	104.10

## LIVE LONG MARCH FUTURES







## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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**SAMSUNG**

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